Third large edition now available at $3 a copy

But, you can secure it FREE with a 1-year subscription

This new book — the first to apply the case-history method of instruction — presents in clear, understandable terms the best available explanation of determining buying and selling points.

Now sold through the regular book channels at $3 a copy, it is offered free with one-year subscriptions to The Magazine of Wall Street for a limited time only. To be assured of receiving your copy, order today.

Timing—

—When to Buy and Sell in Today's Markets

By John Durand, Stock Market Technician

160 pages, 5 x 7½, flexible leatherette binding

CONTENTS

Beginning with an introduction to today's economic setting, through an explanation of major and minor market swings, and the mechanics of the market with which every investor should be familiar, case-histories take up many typical examples: For instance . . .

Catching the short swings. How $2000 could have grown to $9950 from October 1936 to October 1937 and at no time with risk of more than $300. Based on trading in stock under 30. How to select medium and how to proceed with operation.

How significant market action forecast 1937 collapse. This was evident in the rise from January to March and in subsequent intermediate moves. Crucial turning points under present margin requirements.

How to use charts. Broadening top and five-point reversal signals accurately predicted 1937 bear market. As a trader, you would have closed out around 185 Dow-Jones Industrial Average, as an investor, slightly under 180. These technical formations are easily recognized.

How to anticipate trend of individual market leaders. Example of stock which declined from 94 in October 1936 to present price under 25. When investors should have closed out and when traders should have gone short.

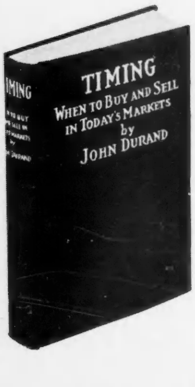
Timing as applied to industries. What happens under boom and depression conditions. How intelligent long pull investment planning might mean 114% capital gain as against 86% capital loss.

Timing as applied to bonds. Why highest grade investments may lose and regain 20% of their face value in relatively short period. Factors to check in purchasing bonds no matter how secure or promising.

Pyramiding. How $10,000 capital could have brought $20,000 profit without risking more than $500. How this capital could have brought $45,500 profit if greater risk was taken on original commitment.

Arbitraging. How to make profits in the market through proposed changes in capitalization. A genuine illustration is followed through in order to show possibility of profits by exact mathematical calculations. A useful and profitable method.

Mail This Order Today



THE MAGAZINE OF WALL STREET,
90 BROAD STREET,
NEW YORK, N. Y.

☐ Enclosed is $3. Send me your book: "TIMING: When to Buy and Sell in Today's Markets."

☐ Enclosed is $7.50. Enter my subscription as follows:—

1—One year of The Magazine of Wall Street (regularly $7.50).
2—The book: "TIMING: When to Buy and Sell in Today's Markets"—free.
3—Personal Inquiry Privileges: on as many as three listed stocks or bonds at a time.

Name . . . .

Address . . . .

Add $1 additional for postage on foreign subscriptions to The Magazine of Wall Street.
6-18-M

"THE 7 PILLARS OF STOCK MARKET SUCCESS"

plus the now famous "60 RULES FOR TRADERS AND INVESTORS", about which thousands have written to us—now published in a popular, limited edition at $1

Exactly the same as the luxurious $7.50 edition advertised in the N. Y. Times, Barron's, Forbes, Financial World, etc., this 230-page book is now off the presses in an improved, UNABRIDGED edition—at just $1. To make this incredibly low price possible, some of the costly trimmings had to be eliminated, such as leather binder, index and charts—*yet the text and type remain the same as in the $7.50 edition.*

Contains the insider's knowledge you need to increase profits by cutting down losses

All signs point to early renewal of market activity. NOW is the time to prepare for the profits possible only to those who *know* and do not merely *guess*—or "know a little." Let this be the beginning of a new era in PROFITABLE investment and trading.

Learn to make your own decisions. Substitute KNOWING for guessing WHAT and WHEN and HOW. If you look upon the market as a game of chance, "THE SEVEN PILLARS OF STOCK MARKET SUCCESS" will do you little good. If you are willing to study and practice the concrete methods which bring stock market success, "THE SEVEN PILLARS" may be the long-sought difference for you between loss and real profits.

√ **Writing to the author, THE nationally known analyst says: "You make some excellent points in your book; its reading should be of assistance to anyone interested in the stock market."**

√ **" . . . one of the most outspoken discussions of stock trading."—The Financial World.**

√ **" . . . I think 'The Seven Pillars' is without equal."—RODNEY LINS, Philadelphia.**

√ **"If a man is going to achieve success in the market, he must necessarily acquire, through bitter experience, a knowledge of the fundamentals this work gives. . . . I can quite understand how it can save thousands of dollars and make many thousands of dollars" says ROBERT RUXTON, famous critic and business analyst.**

Limited at this price to 5,000 copies, better not wait. Pin a dollar bill, check or money order to this coupon, mail to us, and "The Seven Pillars" will reach you postpaid to begin helping you to GREATER PROFITS AND FEWER LOSSES. *Money returned if not satisfied.*

SEND ONLY $1

Seamans-Blake, Inc., *Publishers,*
295 Madison Ave., Dept. 54
New York, N. Y.

I enclose $1. Send my copy to:

Name ....

Address ....

BENEFICIAL INDUSTRIAL LOAN CORPORATION

Dividend Notice

DIVIDENDS have been declared by the board of directors, as follows:

PREFERRED STOCK, Series A, 87½ cents per share, payable July 30, 1938 to stockholders of record at close of business July 15, 1938.

COMMON STOCK, 40 cents per share payable June 30, 1938 to stockholders of record at close of business June 15, 1938.

E. A. BAILEY, *Treasurer.*

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 62 No. 5 June 18, 1938

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes only The Magazine of Wall Street and Business Analyst, issued bi-weekly; Adjustable Stock Ratings, issued monthly; and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

THE TREND OF EVENTS 261

As I See It. By Charles Benedict 263

What's Ahead for the Market. By A. T. Miller 264

Happening in Washington. By E. K. T. 266

Which Industries—Which Companies for Investment. By Ward Gates 268

Inflation vs. Deflation. By John D. C. Weldon 271

Bumper Crops Will Aid Business. By Munroe E. Marshall, Jr. 272

Wanted: A Building Revival (American Radiator). By C. Hamilton Owen 274

Critical Point in Coppers Is Here. By Frank R. Walters 278

Super Markets—A New Factor in Food Chain Merchandising. By Ralph M. Collins 280

Where First Recovery Profits Lie. By Gyrus G. V. White 282

Lone Star Cement Corp. By J. S. McCord 284

Woolworth Is Better Than Average. By Frederick K. Dodge 286

FOR PROFIT AND INCOME 288

Selected Stocks for the Recovery Cycle. By Edwin A. Barnes 290

ANSWERS TO INQUIRIES 293

THE BUSINESS ANALYST 297

New York Stock Exchange Price Range 305

Copyright, 1938, by the Ticker Publishing Co., Inc., 90 Broad St., New York, N. Y.

C. G. Wyckoff, President and Treasurer. E. Kenneth Burger, Vice-President and Managing Editor. Ralph J. Schoonmaker, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 35 cents, special numbers, 50 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915 at P. O., New York., N. Y., Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—$7.50 a year in advance in the United States and its possessions, Canada and Pan-America. Foreign $8.50. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.

With The Editors

Control Over Short Sales

ONE of our contributors has recently proposed to Chairman Douglas of the S E C a new method for the control of short-selling. We do not yet know Mr. Douglas' reaction, but it seems to us a good, workable solution to an irritating problem.

As most readers know, the present regulations permit short-selling in either round-lots or odd-lots only at an advance in price over the last previous sale. The objective which both the S E C and the Stock Exchange recognize as the true one is to eliminate the raiding or in any way manipulative effects of short-selling, without destroying its legitimate hedging function or its desirable stabilizing effects. An excess of red tape will not help; it will simply interfere with the normal processes and possibly force the damaging type of selling abroad, where domestic authorities will lose all control of it but where it will have fully as great power to harm our market.

Making it increasingly difficult to execute *any* kind of short sale is not the solution. Such rules merely give a greater advantage to those in a position to evade them.

The suggestion is that each short sale be indicated on the tape by the letter "s" printed on the lower line directly after the price. Then the tape might run:

BOE	A	BC	X
2s$23\frac{1}{4}$.....	$23\frac{7}{8}$s....	$44\frac{3}{4}$...	1000s42s

All other restrictions would then be removed except the requirement that no short sale could take place below the previous sale.

Turning full publicity upon the sellers in this way would seem the most effective means of distinguishing between the legitimate and the harmful type of short-selling. The public has as much right to know that the Anaconda and the thousand-share block of Steel in the illustration were short sales as has anyone on the floor of the Stock Exchange. The data collected from the tape and analyzed in newspapers and periodicals will be of positive help to the market student, and the inducements for evasion will be minimized. Without the protection of secrecy, it would be almost impossible to manage a bear campaign, to raid the market, or to gun for stops. In addition, the restriction against selling a stock down would retain its former effectiveness.

One rather unusual recommendation for this idea is that if it were given a trial it would furnish its own evidence of its success or failure, and would supply the data for deciding upon rational modifications if necessary. These are busy days for the S E C, but it will be discouraging if time cannot be found to weigh such suggestions as this.

★ ★ ★ IN THE NEXT ISSUE ★ ★ ★

Does Roosevelt Want Recovery?

BY RAY TUCKER

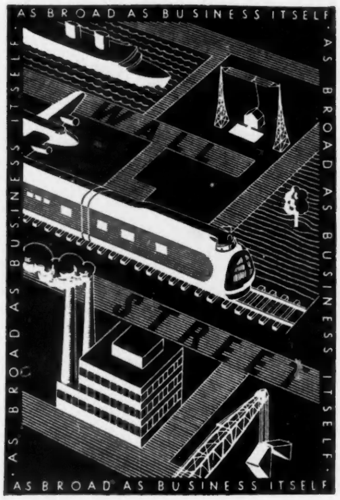
What Can We Expect from Business in the Third Quarter?

BY JOHN D. C. WELDON

Courtesy Revere Copper & Brass

THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



The Trend of Events

POLITIC[illegible] WINS, [illegible] ... effect, con-
hind closed
regulation
from both
triumph of
southern
providing
satisfactory
protection.
a rigid law

e, but flexi-
re of discre-
'administra-
in a Federal
e President,
s" and who
ons of such
ch as if the
life in full

tail on this
mination of
light in the
n. No time
0-cent mini-
tablishment
25-cent wage minimum and 44-hour week maximum are mandatory for the first year; 30-cent minimum and 42-hour maximum week are mandatory for the second year; and 40-hour week maximum is mandatory for the third year. There are exemptions for some types of employment and also certain seasonal exemptions.

Whether Constitutional or not, this bill is, of course, not the last word. In the nature of the problem, any law governing wages and hours of work will probably be changed almost as frequently as farm legislation has been changed. Politicians will run for office on promises to raise wages and lower working time. The difficulties and uncertainties confronting the employers of labor will be still further increased. Real gain to labor is improbable. There will be no change in the economic reality that workers can benefit in the long run only in proportion to their increased productivity.

CREDIT DEFLATION TEMPORARY . . . It is a seeming paradox that there has been a considerable further deflation of bank credit since the Administration in April set the stage for credit expansion by lowering bank reserve requirements and de-sterilizing the Treasury's huge inactive gold fund. These credit-easing measures, preliminary foundation for the Government's coming spending program, greatly increased excess reserves of member banks. When the spending program actually gets under

COUNSELORS · 1907 — "*Over Thirty Years of Service*" — 1938

way, heavy Government b
be necessary. Announcem
advance precaution—migh
have, proved a shock to t
unsettling prices. Bringin
reserves constituted preci
caution. It was aimed at
present Government bond ... and the resources
available for purchase of future issues of Government
bonds.

Yet bank investments in Government bonds have been declining, while prices have held firm. This also is only seeming paradox. The Treasury has been making use of its desterilized gold to pay off $50,000,000 of maturing bills each week. To that extent bank investments are reduced, without any option for the banks unless they buy an equivalent amount of investments in the open market. But while the Government is not doing any new financing high grade bonds or notes are scarce, and any important demand would bid up prices which are already high. So the banks have let investments shrink. Simultaneously there has been further deflation in loans as borrowers have paid maturing obligations and need for new borrowing has remained absent. In this loan deflation the banks also have no option.

By the end of July the Treasury will cease retiring bills and probably will begin to borrow new money again. Thereafter bank investments probably will rise. None of these current credit trends has any nearby business significance. Private loans will not expand until recovery has been in progress for some time. As in the first New Deal recovery, the trend of bank investments after July will for an indefinite time to come constitute the most dynamic factor in the credit picture.

THIS IS COLLECTIVISM . . . As compared with 1929, Federal income taxes extracted from individuals have been increased by from two to more than four-fold; and the minimum Federal income tax levied on corporations has been increased by approximately 32 per cent. Since 1933—a very short span of time—per capita taxes by all governmental units in this country are estimated to have increased by 62 per cent and Federal taxation per capita has increased by 216 per cent. The proportion of the national income absorbed in taxation this year will probably be 75 per cent larger than in 1933.

Senator Harrison recently corrected an erroneous statement made by President Roosevelt in his Arthurdale speech concerning the tax bill which he permitted to become law without his signature. The Senator said the President had evidently been misinformed. Indeed, he was misinformed as to more than one alleged fact in that address. At another point he stated that in this country we did not know what it was to be taxed as the people are taxed abroad. The truth is that all taxation in this country, on a per capita basis, exceeds that in either Great Britain or France.

Whether planned or not, our constantly increasing taxation and borrowing for public purposes constitute a paved highway that leads to collectivism. However de-

... road. ... majo...
presume that the rich in some ...
the debts the New Deal is merrily contracting...

BIGNESS IS NOT MONOPOLY . . ...
members of Congress are included on ...
investigating committee will be dominated ... Dealers representing Federal administrative agencies. At the express direction of the Senate, President Roosevelt will personally control the spending of $400,000 of the committee's $500,000 fund. Once more the Senate has supinely abdicated.

There is no reason why the whole truth and nothing but the truth concerning the operations of American Big Business should not be spotlighted in the public gaze. This publication is quite certain that fair and full investigation will not support the loose and irresponsible allegations of widespread monopoly made in political attacks by Ickes, Jackson and other New Dealers.

It is about time for the American people to make up their minds what kind of an economic system they want. The simple and obvious truth is that free competition tends in the long run to promote concentration of corporate power by inevitable elimination of the weakest competitors. The obvious truth also is that free competition in the manufacture and sale of any given product will tend to establish a uniform or virtually uniform price—the price set by the most efficient competitor. The workings of free competition are perfectly illustrated by the motor industry. The bulk of the business is now concentrated in the hands of three great corporations. On comparable models, their prices are virtually uniform—as they have to be—but those prices are set by competition and not collusion. From them the public is getting a far more useful product at far less cost than it was able to get years ago when there were scores of smaller automobile manufacturers in business.

Should large corporations be broken up into small units a generation of competition would reproduce virtually the situation of today. The inefficient would fade out of the picture. The efficient would grow again to greatness. But while the clock was thus turned back to horse-and-buggy economics the public would pay a tremendous price for the necessities and the luxuries which efficient Big Business now produces so cheaply and so well.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 264. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. Monday, June 13, 1938.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS · 1907 — *"Over Thirty Years of Service"* — 1938

As I See It!

BY CHARLES BENEDICT

WHAT ARE YOU GOING TO DO ABOUT IT?

How long are we going to sit by bewildered and see our country disintegrating morally and economically; and make only feeble attempts to stop the process? Our individual, spiritual and economic future is so closely knit with that of our country today, that unless we recognize and act on this assumption, we are headed for greater troubles than we have ever known.

Americans are playing politics instead of uniting and devoting their energies to building a nation that can economically and morally withstand sapping from within and undermining from without.

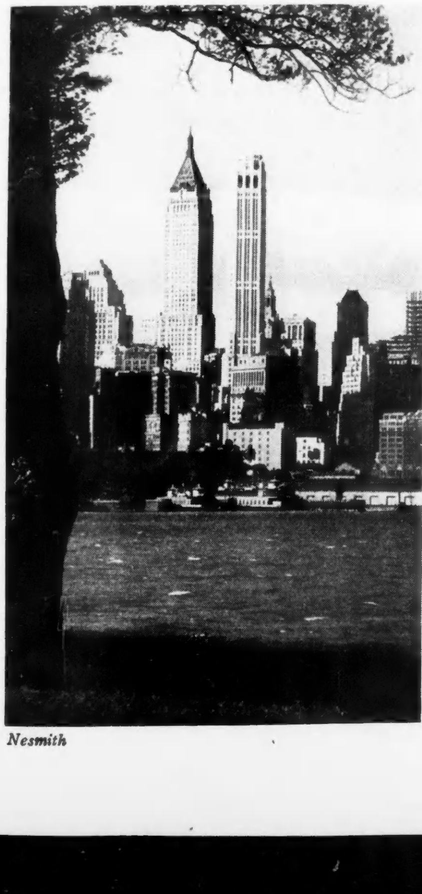
Men seem to excuse their inactivity on the ground that there is no leadership—no strong men—and yet, let us look at the so-called strong men of even the last twenty-five years and we will see that more harm than good has resulted from permitting any single individual to dominate.

There was the Kaiser, for instance, whose grandiose schemes ended so disastrously for his country that today the fine culture in Germany, which was not only the pride of that nation but of civilization, is in chains, and the brutal element is by jungle law menacing the peace and happiness of the world.

Then there was Clemenceau—the Tiger—the strong man of France, who dictated the infamous Treaty of Versailles which is responsible for the low estate in which the people of France find themselves today.

And these so-called strong men, who are actually only little men of strong will-power, have counterparts today in Germany, Russia, Italy and all over the world. To them human beings are merely puppets; and they toy with the affairs of mankind as it suits their purposes and their whims—whether it be to conquer another people or to keep themselves in power.

Among these leaders, Mussolini is the only one who has accomplished anything constructive.



Nesmith

The work he has done in bringing about a moral regeneration of the Italian people will weigh in the balance for him when, in years to come, men condemn him greatly for the destruction he has wrought elsewhere.

In our own country we have every reason to be thoroughly disillusioned about the value of the leadership of a single man. In six years Franklin D. Roosevelt—our strong man—has wrought unbelievable confusion and disintegration. He has increased our national debt to over $37,000,000,000. His aim to distribute wealth has resulted in maiming the machinery of production and distribution. Nor has the position of his favorite—the "forgotten man"—been improved. On the contrary, we have all become forgotten men both spiritually and materially. Only the politicians seem to prosper.

Today in a land of plenty, in an economy which has been the envy of the world, confusion exists as to the future—something which would have been incredible to conceive of six short years ago when Roosevelt came into office. Imagine being doubtful about the future of the United States!

However, it would be unfair to say that the President is solely responsible for this condition. Among the opposition there are also those with a dictator complex—little men with strong wills who have been accustomed to having their own way for a long time, who should be brought to reason.

To avoid being crushed between the two factions, we desperately need committees of men in every State, city and hamlet in the country—men with commonsense—and selfish enough to know that in serving the interests of their country first, they are serving themselves.

We must elect a strong opposition group that can force compromise in all matters of national importance so that sound measures can be put into force that

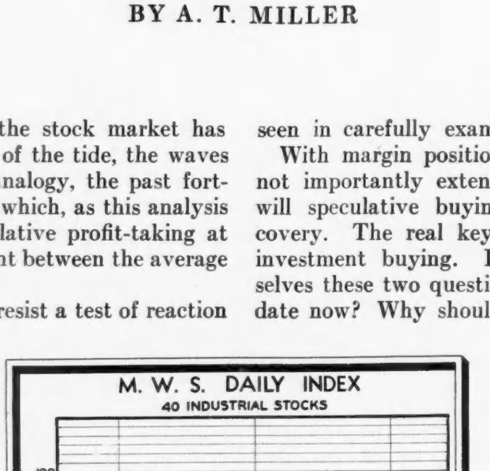
(Please turn to page 312)

What's Ahead for the Market

BY A. T. MILLER

THE always irregular course of the stock market has been aptly described as made up of the tide, the waves and the ripples. Applying this analogy, the past fortnight brought a ripple of advance which, as this analysis is written, has encountered speculative profit-taking at a level a bit above the midway point between the average high and average low of May.

If the market can satisfactorily resist a test of reaction in the immediate setting, the ripple of rally may conceivably swell into a wave of intermediate recovery—but in that case it would still have to face an important resistance level around the April-May highs as represented by the 92-93 range on our accompanying index of forty representative industrials.



For ten weeks, or ever since the culmination of the broad March decline, there has been no visible change in the major tide. During those ten weeks the news relating to business, earnings, dividends, politics and European developments has been preponderantly on the bearish side; and the general financial sentiment has been more gloomy than at any time since the dark days of early 1933. In such a pessimistic psychological setting, it is certainly encouraging that the market over so extended a period has been able to avoid falling through the floor.

Nevertheless, it is equally clear that its performance has been only negatively favorable. Through the year to date all rallies have petered out at successively lower levels. With the exception of March, all rallies for six months have come in the forepart of the month, with reactions beginning in the second half of the month. We should know in the near future whether this interesting coincidence is to be repeated. Meanwhile, with the rallies becoming shorter and the March low holding, the effect is a progressive narrowing of the trading range—pushing the market into a tightening technical corner. No such impasse has ever lasted very long, even in times of seeming complete speculative inertia. We have a feeling that we are not far from a more decisive movement; but there is no factual basis—short of waiting for the market to give its own signal—for a positive conviction as to its direction, as will be seen in carefully examining both sides of the picture.

With margin positions light, speculative selling cannot importantly extend the bear movement. Neither will speculative buying alone produce significant recovery. The real key lies in investment selling and investment buying. Let us, therefore, pose for ourselves these two questions: Why should investors liquidate now? Why should investors buy now?

Stocks of good or medium quality are nowhere near as completely deflated now as they were at the bottom of the last bear movement and they do not look cheap in relation to any probable earnings for a year ahead. For the great majority of corporations the earnings trend—most influential of the factors governing trend of share prices—is still pointing downward. The trend of industrial production, payrolls, trade and national income continues downward. Prices of those commodities most directly related to the business trend are still sagging. Prices of corporate bonds have shown no significant recovery. No one really knows whether the low point of the depression will be reached in July or August. No one really knows whether there will be any significant improvement in business activity in the autumn.

Despite talk of speeding up the Government spending program, there is no assurance that it will be effective in terms of actual economic stimulation for some months to come. Despite the imminent adjournment of Congress, political uncertainty is increasing rather than decreasing, for what investors and business men wish most to know is whether President Roosevelt will continue to dominate the Government and even the political experts are chary about forecasting from this distance what will happen in November. The political campaigning may further disrupt investment confidence, for example in Roosevelt's easily predictable attack on "monopoly" and Big Business, now taking shape.

More fundamental than any of this is the all pervading, basic uncertainty as to what will be the future character of the American economic system. Nobody knows. We know what it used to be. We know it is no longer what it used to be. But we don't know what

Market's action is negatively favorable in that it has held above the March low for more than ten weeks, but definitely bullish indications remain missing. We advise deferment of new commitments for the present.

the present transition is leading to. It may lead to a workable reconstruction of the New Deal and a workable compromise between the functioning of government and the functioning of private capital. It may lead to something less desirable.

Turning to Europe, war fears for the moment are less intense than they seemed a few weeks ago, but the embers still visibly smoulder and no settlement and no appeasement has been reached. In all of the more or less free economies of the world, including Great Britain, depression is deepening. Europe is generally pessimistic on American stocks. Our market is so painfully thin that even a relatively small volume of investment liquidation might seriously disrupt it.

On the opposite side of the picture we have chiefly intangibles—but we should not forget that the tangibles always look bad in a deep depression. Virtually everything that was clearly visible to the eye at the start of last year was highly favorable—and the market was within a few weeks of beginning a major decline.

At the lowest point reached this year, 78 per cent of the market's entire 1933-1937 advance had been wiped out, as shown by our weekly index of 330 issues. In the March decline more than 100 stocks held above the lows of last autumn, suggesting that deflation had been completed in numerous stocks and that the bear movement, if not ended, at least was becoming more selective. In a precisely similar way, the Roosevelt bull market became increasingly selective in its final six months. There is no valid reason why prices should return to the levels of the summer of 1932 or the spring of 1933. They were put down there not by sentiment, but by forced liquidation of a record-breaking volume of brokers' loans and bank collateral loans, by the collapse of hundreds of weakened banks and by the commodity price deflation automatically aggravated in impact upon us by depreciation of the British pound. None of these dangers is now present. Moreover, stock values logically must have some relationship to the going wages of money. Money commanded relatively high wages throughout the last depression, but interest rates today are extremely low. Other things being equal, a sound stock is worth more when gilt-edged bonds yield $2\frac{1}{2}$ per cent than when they yield $3\frac{1}{2}$ per cent.

As for the business trend, production for months has been much less than current consumption. For instance, present output in cotton textile and woolen mills is around the 1932 average level, but retail trade in consumption goods has not fallen much under the 1936 level. Price and inventory adjustments in consumption goods industries appear sufficient to establish a foundation for at least a moderate autumn business improvement, quite apart from any help from Federal spending.

Footing up Mr. Roosevelt's gains and losses over the past twelve or fifteen months, the losses very obviously exceed the gains. The opposition in his own party is far from defeated, and the increasingly open use of Federal spending to influence primaries and the election is building up for the opposition party a more effective issue than it could possibly have concocted for itself.

There it is. Putting it all together, we would not liquidate any sound stock that we did not *have* to sell—but we would wait and see what we will see for a while longer before we did any important amount of buying.

Happening in Washington

BY E. K. T.

Spending program will get under way with much ballyhoo for psychological effect but comparatively little money can be put out before late summer. Peak is due about election time. Roosevelt got about all he wanted in relief bill and can use the funds as he sees best with few restrictions. *His victory over Congress in this is of more practical importance than his several defeats earlier, and it enhances his power to control the party.*

Depression prospects worse than foreseen few months back was argument Roosevelt used to scare Congress into giving him free hand to spend fast—before election. Was partly the old and successful plea of emergency but more admission of desperation, reliance on only remedy understood—more spending. So spending goes on into sixth year without any planning by Congress in spite of several false starts to map a program and set the machinery. *Present funds will be nearly exhausted by end of year and Congress will be faced with another emergency spending demand in January.*

WASHINGTON SEES—

Pump priming peak coinciding with fall election.

New Deal still lacking a definite spending plan.

Brain trust more active with reform in the wind.

Hostile tax revision coming next year.

Judiciary gradually conforming to New Deal desires.

Government active during Congress recess.

T V A inquiry deep and productive.

Monetary tinkering not near at hand.

Possibilities for new labor legislation.

1932 parallel is being drawn by many observers, with Roosevelt trying to keep things going and waiting for a turn. Expectation is that if depression is worse by winter he will try to repeat 1933 series of bold strokes; probably planned and controlled economy, certainly far-reaching social reforms.

Brain trust is rising in power within administration. Idea-boys have not been very productive of late but they have dreams which can be made into plans on short order. Most of these run along the lines of a corporative state. They have Roosevelt's ear and if he desperately seeks to act with something new he will turn to them.

Reforms of many sorts are wanted by New Deaiers, and many of them think a depression the best time to reform. Probably few would deliberately further depress business to force reform, but many think reform should take precedence over recovery.

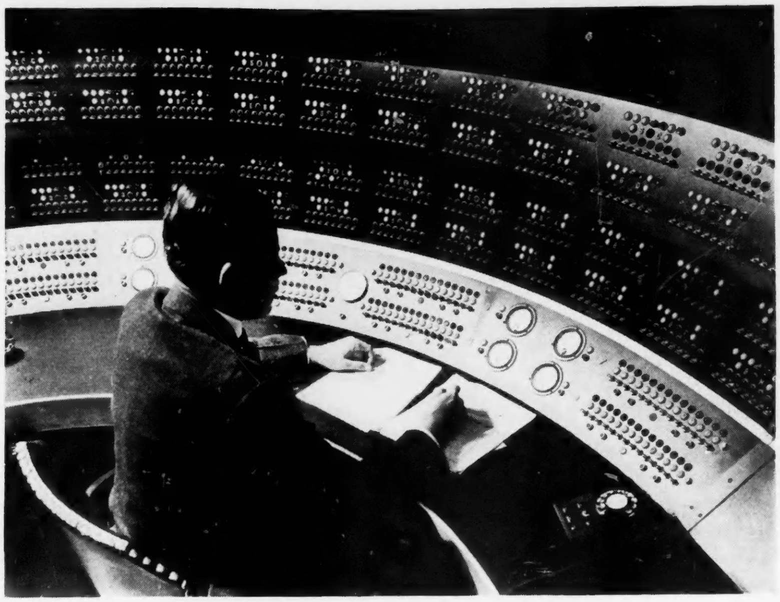
Tax revision, a perennial of late, will be up again next spring. Worst feature is that administration will again use it in attempt to control business policies and wealth distribution, so that threat is another wet blanket on new investments and business ventures.

Housing stimulants of all sorts are being discussed by New Deal planners and some new idea may be sprung next year to force a building boom. Talk includes direct government loans, subsidies, use of relief labor, "plowing under" old houses, even government construction and sale, but there is no agreement.

Iowa primary was not repudiation of New Deal but rebuke to New Dealers attempting to influence party primaries. Nevertheless, the "elimination committee" of brain trusters will continue to work against legislators who deserted Roosevelt on key votes. *This may result in making as many enemies as it does friends in the next Congress and will intensify fight for the control*

of the Democratic party in 1940.

Building material costs, as shown by government's standardized residence index, rose 12.1 per cent from January, 1936, to peak at August, 1937, while building labor costs rose 14.2 per cent. Since then material costs have receded while labor costs remained practically stationary and material-labor cost ratio for home construction is now the same as early 1936—figures which do not bear out rantings of certain New Dealers about economic royalists and monopolists pricing themselves out of a market.



Courtesy N. B. C.

There will be more control in broadcasting than that exercised from the above control room when the FCC swings into action.

Socialized medicine may be next New Deal offering to the underprivileged, possibly in guise of health insurance amendment to social security act. Conference in Washington in July will discuss plan of cooperation between medical profession and Federal and state agencies to increase extent of free or limited cost clinics. Doctors are divided but majority have fought most group hospital and health insurance proposals.

Streamlined justice which Roosevelt advanced as argument for Court-packing appears at hand. During term just closed Supreme Court disposed of a record number of 1,012 cases with fewer left for fall term than in many years. Government won 92 and lost 22 cases, best record in number and percentage for a decade. *New law permits Roosevelt to appoint 20 additional Federal judges, based on congestion of dockets rather than age of justices, in addition to filling several vacancies caused by death or retirement.* Reports persist that 2 more Supreme Court justices will retire next winter.

British trade agreement negotiations are slowed by belief of British delegation that United States must have agreement at any cost and their insistence on the lion's share of every concession, whereas State Department realizes that politically a poor bargain is much worse than none and that agreement can be justified only on basis of broad gains for export trade.

Investigations will continue in Washington during Congress recess, as usual, including monopoly, T V A, civil liberties, campaign funds and un-American activities by Congressional groups; broadcasting by F C C; auto manufacturer-dealer relationships and agricultural implement industry by F T C; and more or less routine studies and cases prosecuted by various regular agencies. Congress adjourns but the government never quits.

Radio industry will be on the pan all summer as F C C starts series of general inquiries into engineering, cultural and economic aspects of broadcasting which may eventually result in new rules of the game. Superpower is first question up, with a dozen stations seeking the same nation-wide reach enjoyed by only one station — WLW, Cincinnati — while others claim this would blot out local stations and reduce importance of networks.

Power yardstick is the milk in T V A coconut. Investigators will uncover many curious and interesting activities and transactions but will dig beneath them to the basic policy which split the directorship — interpretation and application of that part of the act proposing to discover true cost of production and distribution of power.

Dollar devaluation is not being considered by administration, though officials don't object if rumors of inflation stimulate buying. *But if depression is worse when next Congress meets there will be heavy barrage of proposals for monetary tinkering, commodity dollar, price index manipulation, Townsend plan, etc.*

Session end means all bills die and will have to start at scratch next January—unless Roosevelt should call a "lame duck" session after elections, in which case bills would retain their present status and those partly advanced could be put through.

British labor law study is proposed by Roosevelt with denial that it contemplates modification of Wagner act, but observers — including labor organizations — feel it can't help calling attention to British law restricting sympathetic strikes, picketing, and political contributions of unions and imposing certain financial responsibilities. President has frequently said all New Deal social legislation is evolutionary, subject to improvement, and that we may learn much from English experience.

Which Industries—Which Companies For Investment

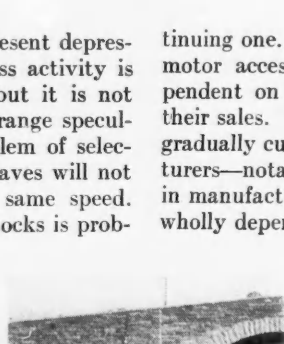
BY WARD GATES

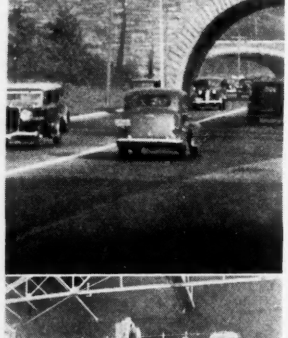
It is premature to call the turn on the present depression—since the downward trend of business activity is likely to extend well into the summer—but it is not premature for the investor and the longer range speculator to concentrate attention on the problem of selection. When the recovery tide sets in the waves will not all run in the same direction nor at the same speed.

An opportune time for buying common stocks is probably near enough to justify careful preparation of a plan for selection. This involves (1) discriminating choice among the various industries; and (2) choice among the companies in such industries as one favors. Usually greatest potentiality of profit is found in industries subject to extreme cyclical fluctuations, regardless of long term growth prospect. There is an added element of safety, however, both as to capital appreciation and income return, in industries subject both to considerable cyclical fluctuation in volume and earnings and to dynamic secular expansion.

This publication's opinion as to the outlook for all major industries is summarized briefly herewith. Specific analyses of selected companies will be found in the article starting on page 290.

AUTOMOBILES—Third quarter output and sales will be around one-third level of year ago and should represent low ebb. Long term growth in demand has substantially flattened out, and abnormal backlog of replacement demand built up over the depression years 1930-1935 has been largely satisfied. The industry will not play as dynamic a role in the second New Deal recovery as in the first, although it remains subject to considerable cyclical revival from a depression base. Due to rigidities in wages and working conditions growing out of unionization, its former flexibility and efficiency have been somewhat impaired. This is a new problem and it remains to be seen whether operating adjustments can adequately offset its unfavorable influence upon unit costs. Moreover, however satisfactorily handled in any one year, the problem presented by aggressive unionization of the plants will be a continuing one. Virtually the same considerations apply to motor accessory makers and to most companies dependent on the motor industry for the great bulk of their sales. For some of these, potential market is being gradually curtailed by tendency of large motor manufacturers—notably Ford—to increase their self-sufficiency in manufacture of parts and materials. While no longer wholly dependent on motor business, greater part of the swing in volume and profits of the installment finance companies will continue to rest on this factor for some time to come.

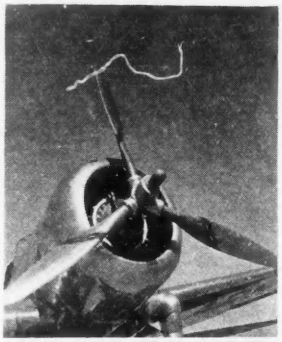


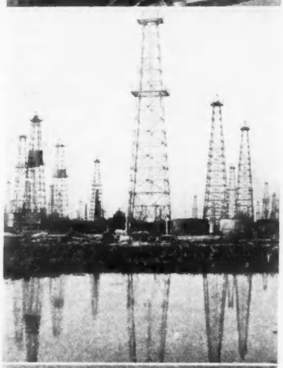


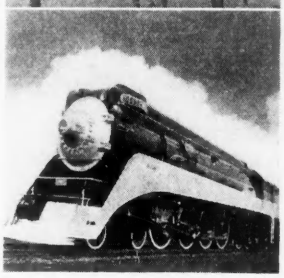
STEEL—Of all metals, steel is the most widely used and the nature of its uses is such that cyclical fluctuations in the industry's sales and profits are notably extreme. It is hard hit in every depression, but no economic recovery can pass it by. It is no accident that stocks of the larger steel companies are always among the more popular trading issues in both bull and bear markets. They perfectly reflect the broad swings of the economic pendulum. If purchased at an opportune level, potentialities for price appreciation in such equities are substantially larger than for the market as a whole. The long term growth of the industry, as reflected in rising per capita consumption, probably has not yet reached its peak but unquestionably has slowed down and rate of slackening in secular growth is likely to increase. In the late '20's we probably saw top per capita use of heavy steels, for which the chief markets are railroads, large structures, bridges, etc. Use of light steels, mainly sheets, reached a record high in the 1933-1937 recovery, largely due to increased application in the motor industry and in various newer consumers' durable goods, notably mechanical refrigerators. Markets for light steel should have further secular growth, but hardly at the rate of the past decade. There are large potentialities for alloys and specialty steels, more important in relation to profit margins than to gross volume. Like all mass production industries, steel has a new problem in labor relations but is better able than most to keep its prices adjusted to higher costs, despite intermittent

political attack, "monopoly" investigations, etc. A good steel stock, such as U. S. Steel, Bethlehem, Inland, National or Youngstown, is a logical candidate in any list formulated by longer range speculator or speculative-investor. Of all factors to be considered, timing of the major cyclical swing is by far the most important.

BUILDING MATERIALS—It is open to serious question whether we will ever again see an annual volume of construction equal to that concentrated in the years 1922-1929. In recent years public works—mainly financed by the New Deal—have become a bigger proportion of total building than ever before but have remained below peak dollar volume of the '20's. As far ahead as can be seen, there will be no need for utility building, industrial and commercial construction, or for office buildings and expensive hotels and apartment houses comparable to that of the late lamented "New Era." The crying need is for low-cost family dwellings. The obstacles in the way of any boom in this type of construction—all relating to cost and desirability in the eyes of the potential buyer—are numerous and too familiar to require discussion here. Nevertheless there is no reason to doubt that we can have a large percentage recovery in residential building from the present depressed level and there is some reason to believe this activity will play a leading role in the second New Deal recovery. Residential construction made a promising showing in May and it is worth noting that its percentage decline from a year ago has been less than in most other durable goods. Moreover, it is to be borne in mind that some companies dependent on building or structural alterations have demonstrated greater potentialities than building as a whole. For example, while total building volume in 1937 was only some 50 per cent of that in 1929, sales of the Masonite Co. and of Minneapolis-Honeywell Regulator Co. reached record peaks and sales by Johns-Manville were within a small fraction of 1929 volume. The cyclical movements in leading building material issues, such as Johns-Manville or United States Gypsum, are notably wide, and the better situated stocks in this field well merit favorable consideration.





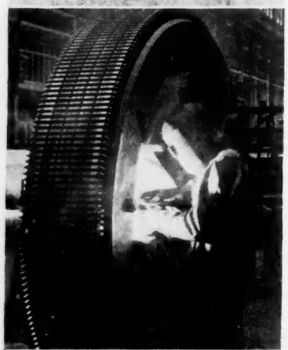


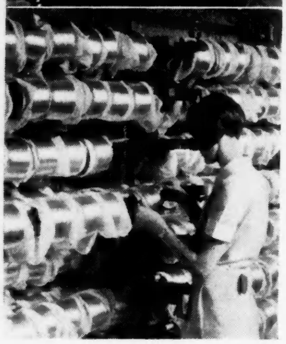
CHEMICALS—The chemical industry is an all-inclusive reflection of the economic activity of the modern world. Chemicals serve heavy industry and light industry. A stake in a strong and well diversified chemical company is a stake in the future economic growth of the nation. More than that, it is a stake in the fastest growing major industry. Present sales and profits have, of course, declined but the industry will suffer less in this depression than many others both because of the underlying growth factor and because it serves important markets in which the cyclical fluctuations are relatively moderate. Illustrative of remarkable secular growth, first quarter figures suggest that volume of several of the more aggressive chemical companies in this year of depression will top that of 1929, even though well under peak 1937 results. The industry will be prompt to reflect recovery. Its labor factor is relatively unimportant. It is one of the very few important industries about which it can be predicted with complete confidence that its greatest period of growth still lies ahead. No investment list of equities should be without a good chemical. Allied Chemical, du Pont, Union Carbide, Dow, Cyanamid and Monsanto are all good.

METALS—When investors and speculators are "inflation-minded" stocks identified with any metal—whether a monetary metal or a metal used in industry—are somewhat indiscriminately considered as good "hedges." At present, of course, deflation holds sway; yet deep-seated economic, political and social instability is the rule over most of the world and in a basic sense none can be sure of the ultimate value of any existing currency. For this reason it certainly is not illogical for investors, to whom protection of capital and income is imperative, to give thought to a good inflation "hedge." If one wishes such protection, rather than speculative profit, why try to carry water on both shoulders? For long term protection against possibility of a serious inflation nothing is better than a good gold stock. On the other hand, it is logical to consider the more common metals chiefly on the basis of the economic factors affecting them. Certainly during the past five years gold shares bought on a straight inflation motive have worked out better, from an investment point of view, than shares of non-ferrous metal companies. For copper, lead, zinc and tin the early prospect is somewhat in doubt, although drastic curtailment in American copper output may relieve pressure on the price of this commodity. Uultimately, of course, prices of the non-ferrous metals and profits of their producers will recover substantially, but an investor will do well to forget older price and profit history and take account of the permanent great increase in world sources of production in most industrial metals brought about over the past two decades. For example, world consumption of copper last year set a record high but the average price of this metal during the year was lower than in former periods of active consumption, despite a variety of price-lifting efforts, including depreciated currencies. The strictly economic factors suggest that future prices of most non-ferrous should tend to average lower than in the past, due to the fact that the production potential has expanded faster than consuming markets. This does not, of course, mean that present prices cannot be bettered. It does mean that one will probably be justified in reasoning that a "normal" price for copper is nearer the 12 to 14 cents range than the 17 to 20 cents

range. Generally speaking, among the industrial metals, our choice for investment would center on those for which substantial long term growth of markets is indicated and in which the control of supply is closely held. Examples of this type are Climax Molybdenum, Aluminium, Ltd., and International Nickel. In the latter two issues one automatically avoids any brush with the New Deal monopoly hunters, since they are Canadian companies.

OIL—The petroleum industry is unique in that it is assured of gradual long term expansion in consumption and largely immune to the influence of the general business cycle. Unfortunately, it has for many years proved able to manufacture its own cycle of ups and downs in profits. At times it has fared none too well while general business was booming, and vice versa. Its complex problem centers in the price of crude oil, the price of refined products and the relationship between the two. Although oils do move to a considerable extent with the market, reflecting swings of speculative and investment sentiment, one will be well advised to appraise them at all times on the basis of the characteristics peculiar to the industry. They will not necessarily be a logical buy when our industrial stock average reaches what one believes to be a bargain level. On the record to date, one or two years of good profits for oil companies has usually invited over-production and price difficulties. Looking back it can be seen that one would have done well to buy on a semi-speculative basis the stock of any integrated, financially powerful oil company when the industry was deep in a profit slump and to dispose of it when profits became favorable. The industry's outlook at the moment is dubious and debatable, with earnings neither as high as they have been nor as low as they might be.





AIRCRAFT—This industry is still too young and unseasoned to qualify for conservative investment, but it has every attribute that the speculator or the speculative-investor could desire. Every leading manufacturer of aircraft or plane parts is well stocked with orders and is favored by reasonably sure prospect of plenty of future business for an indefinite time to come. Throughout the world fast expansion of military and naval air forces is the rule and, on a less feverish scale, the same is true of commercial air transport. Although profits of the majority of aircraft manufacturers are in a rising trend at present, greatest earnings potentialities lie well in the future. The reason profits are not yet proportionate to volume is the still rapid evolution of plane design and consequent large developmental expenses. This is especially true of companies going in for ever larger super-transports and super-bombers. Only when plane manufacture more nearly approaches standardization and mass production, will maximum earning power be realized. But it is the trend upon which speculation thrives and here the trend is right—even though speculation overdoes it from time to time, producing periodical reactions. In such reactions shares of aircraft manufacturers are as sure a speculative bet as any group on the list. Douglas, United, Boeing, Martin, Consolidated and the more diversified Sperry all have merit.

EQUIPMENTS—In this broad field investor and speculator have a wide latitude of choice among such industries as electrical equipment, rail equipment, farm equipment, office equipment, machinery and machine tools. In none is the nearby outlook favorable. In all, however, there is long term promise, given a broadbased recovery in durable goods. The large and diversified electrical equipment makers — such as General Electric and Westinghouse—are logical candidates for either investment or speculative list. They are subject to wide cyclical variation in volume and profits, which means opportunity for broad capital appreciation on commitments made at an advantageous price level; and they have the added merit of being favored by prospect of further secular growth at a rate probably considerably greater than that of our economy as a whole. Huge percentage appreciation in extremely depressed rail equipment shares is conceivable but depends upon unpredictable developments in a railroad situation which is presently most doubtful. Farm equipments will not suffer as badly in the present depression as in the last one, since a paternalistic government has put something of a floor under farm income. On the other hand, generally speaking, the more resistant an industry is to decline in volume, the less dynamic becomes the prospect for cyclical recovery. A similar consideration applies to office equipments, some branches of which have been especially favored by the boom in record-keeping largely caused—directly and indirectly—by the New Deal. The special considerations which have favored farm and office equipments in the first New Deal recovery should not be confused with secular growth factors such as apply to electrical equipments or chemicals or aircraft. Heavy machinery participates late in any recovery cycle. The machine tool industry demonstrated strong recuperative powers in the 1933-1937 recovery, even allowing for the abnormal stimulus imparted directly and indirectly by the world armament race, and has undoubted promise of further secular growth. Not to be overlooked in the specialized field of tractors and Diesel engines is Caterpillar Tractor. As a matter of fact, a longer term commitment spread among Westinghouse, Allis-Chalmers and Caterpillar Tractor would give one about as sound, promising and diversified a stake in the field of equipments as could be desired. (*Please turn to page* 310)

Inflation vs. Deflation

A Significant Study in Contrasts

BY JOHN D. C. WELDON

The New Deal has practiced more types of inflation than any government in modern history. The reason nothing is now inflated, except the Federal debt, is that the New Deal also has practiced virtually every known form of deflation. Currently, deflationary forces predominate. So delicate is the balance, however, that a more optimistic public attitude or some further monetary or credit tinkering may swing us the other way and touch off the inflationary spiral. A consideration of contrasting acts and policies shows why this is so.

ROOSEVELT INFLATION

The dollar was cut loose from the convertible gold standard early in 1933; an embargo was placed on gold exports; private ownership of gold was made illegal.

The price of gold, in terms of paper dollars, was raised in successive moves under the Warren scheme of inflating commodity prices. The President let it be understood that his currency manipulations were aimed at an experimental "commodity dollar" and that he was determined in one way or another to restore the price structure to approximately the level of 1926.

The dollar was formally devalued early in 1934 at approximately 59 cents gold, with the President retaining discretionary power to devalue it further to a maximum of 50 cents gold. He still retains this power.

The President was authorized to direct the Treasury to print up to $3,000,000,000 in greenbacks. This power was not used, but is still retained by Mr. Roosevelt.

The Treasury was authorized to sell up to $3,000,000,000 in bonds direct to the Federal Reserve System. In effect this power has been partially used.

The price of silver was marked up, seeking the objective of a broadened monetary base in which our currency would be backed by 25 per cent silver and 75 per cent gold. Silver has been coined at a "profit" to the Government.

New Deal credit inflation, deficit financing and pump priming all boil down to the same thing—sale of billions of dollars worth of bonds to the commercial banks, with resultant inflation of bank deposits. This is the modern substitute for crude printing press inflation.

An easy money policy was persistently pressed in an effort — only modestly successful — to induce private credit inflation.

The purpose of the N R A was essentially inflationary —to raise wages and prices. It was inflationary in fact only in the anticipatory period of forward buying.

In successive farm bills endless effort has been made to lift farm prices.

New Deal Labor policy was chiefly responsible for the overdone wage-price inflation of 1936 and early 1937.

ROOSEVELT DEFLATION

The New Dealers, from the President down, have overlooked no opportunity to foment class antagonisms by open exhibition of their basic distrust of and hostility to the profit motive.

Reform has followed reform in bewildering succession for five years; government in an atmosphere of emergency has become chronic; the President, far from voluntarily relinquishing any extraordinary power, has constantly sought more power; and no business man can guess from week to week what the next shift in Roosevelt policy or method may be.

However valid in social objective, too stringent reforms relating to the security markets and to corporate financing have in practice been deflationary.

Without exception the Federal tax laws have been changed in every year since the inception of the New Deal, with the net effect of substantially raising the burden of personal and corporate income taxes and thus discouraging the flow of capital into long term investment. If the President has his way, taxes will be changed again next year, undoing the recent helpful revision.

The New Deal's hostile and competitive public utility policy has been deflationary, preventing a vast total of expansion expenditures by private power companies.

The Roosevelt labor policy, expressed in the one-sided Wagner Act, was temporarily inflationary in raising wages and prices at excessive speed, but later proved one of the most deflationary of New Deal policies in effect upon business and investment confidence.

The Social Security taxes, heaviest single levy ever imposed on payrolls and wages, are highly and increasingly deflationary.

New Deal credit policy was deliberately deflationary late in 1936 and early in 1937—and more successfully so than its sponsors had dreamed possible. Now it is once more deliberately inflationary. Since the Roosevelt recovery fell short of former periods of prosperity and gave way to a major depression, the evidence to date is that New Deal deflation has more than outweighed New Deal inflation.

Bumper Crops Will Aid Business

Outpouring of Government Subsidies Will Offset Lower Prices

BY MUNROE E. MARSHALL, Jr.

Courtesy International Harvester Co.

CURRENT crop prospects are the best in years. This promise of bumper harvests is a vastly important factor in our economic well being, bearing directly upon the purchasing power of a major segment of our population.

Consider, briefly, that one out of every four persons in the United States lives on a farm. Nearly 25 per cent of the people who work, work at agriculture. Not only does the farmer supply 95 per cent of the food which we consume, and could supply all of it, but farm products normally account for about a third of our export trade.

Farmers own one-fifth of all the automobiles, one-third of all the trucks and nearly 1.5 million tractors. Farmers buy 25 per cent of the domestic consumption of petroleum. It has been estimated that last year farmers spent $550,000,000 for farm equipment, $1,150,000,000 for clothing and $860,000,000 for house furnishings.

Withal, the farmer receives less than one-eighth of our national income, his share last year having been about $9,000,000,000 out of an estimated total of $70,000,000,000. This disparity in farm purchasing power is the genesis of our perennial "farm problem." It has long been the subject of multitudinous programs, subsidies and political hocus-pocus, however euphemistically titled, which have sought to bring the level of farm purchasing up to that of the urban dweller and factory worker.

This discussion, however, is concerned with the current status of the farmer in realistic dollar-and-cents terms, and what the prospects of bountiful crops may mean economically in a year of widespread industrial depression. It suffices, therefore, to say that none of the schemes for the benefit of the farmer has been wholly successful and for the most part they have only succeeded in further complicating the farm problem.

At the present time interest in crop prospects is focused on wheat. Favored thus far by exceptionally good growing conditions throughout the winter wheat belt, indications are that this year's harvest will break all previous records. Previous to this year the largest total production of wheat was 1,009,000,000 bushels in 1915. This year the combined winter and spring wheat crops may exceed the 1915 record by more than 100,000,000 bushels. Last year the total production amounted to 874,000,000 bushels, while the yield for the past ten years has averaged 753,000,000 bushels. If present indications are borne out, this year's crop will more than double the average for the four drought years 1933-36.

To what extent will this huge supply of wheat be translated into agricultural purchasing power? Despite numerous attempts to reduce or nullify the effectiveness of the laws of supply and demand and their relation to leading farm crops, their potency has not been impaired and the farmer is still heavily dependent upon markets and prices.

Normal domestic consumption of wheat averages about 670,000,000 bushels annually. Export demand normally accounts for about 50,000,000 bushels, although in the season which will end this month exports will approximate 90,000,000 bushels. Even if it were possible to anticipate that exports would be sustained on a par with last season, they would absorb less than 10 per cent of the potential crop this year. Unfortunately, export prospects at this time are at best uncertain. In 1915, the last year in which wheat supplies totaled a billion bushels, Europe was engulfed in the World War and readily absorbed our exportable surplus. Since the war, most European nations have been able to substantially enlarge their production of wheat and the larger-than-average exports of the past season were made possible only because of a series of unfavorable growing years experienced in other important wheat exporting countries. At the present time conditions are favorable in Argentina, Australia, Canada and India—all large wheat exporting nations—while in Europe the only countries not favored at the moment by good growing conditions are Italy and Germany. Both Italy and Germany impose stringent exchange regulations, so that it is by no means certain that the United States will be able to market any effective portion of its surplus there. War, of course, could conceivably change the export prospect substantially in favor of the United States. There is also the possibility of an unfavorable change in growing conditions abroad. Accepting conditions as they now stand, however, the farmer is more likely to sell less than more wheat abroad this season.

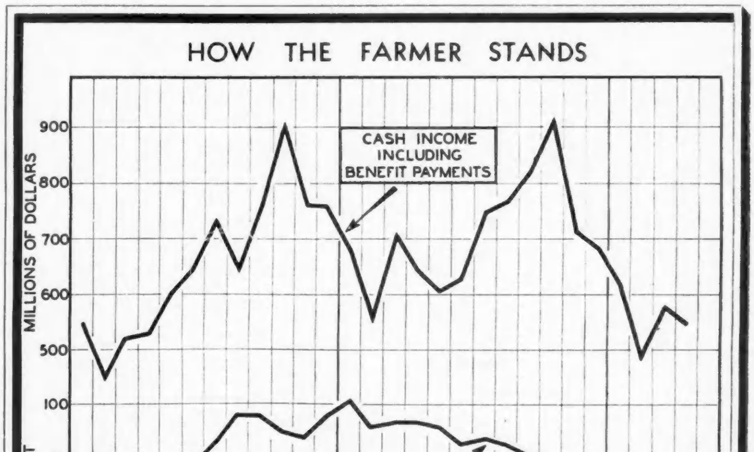
Wheat prices have been under the influence of the market verdict that the season beginning July 1 will end with an unwieldy and burdensome surplus of 380,000,000 to 500,000,000 bushels. The previous peak was in 1933 when the carryover was 378,000,000 bushels. Since the first of the year the price of wheat has dropped about 25 cents a bushel to a point slightly above 70 cents. Average prices to farmers for wheat on May 15, last, were about 71 cents a bushel, as compared with $1.18 a year ago.

The Agricultural Adjustment Act of 1938 provides for the establishment of marketing quotas and parity payments for wheat. In order to invoke these provisions, however, it would be necessary for Congress to appropriate funds, to be repaid subsequently to the Treasury presumably by means of a processing tax. As wheat prices have dropped, agitation for Congressional appropriation of funds for parity payments has increased and the Administration has weakened in its previous stand that no appropriations should be made without providing tax legislation to raise the necessary funds. As a result an amendment has been attached to the pump-priming bill making available $212,000,000 for parity payments of 10 cents a bushel on wheat, 5 cents a bushel on corn and 2 cents a pound on cotton. Payments will be based upon each farmer's "normal production" and upon the difference between current and parity prices. The parity price, which is now around $1.15, is the price at which wheat would have the same purchasing power in terms of non-agricultural commodities as in 1909-14.

The Agricultural Adjustment Act of 1938 also made it mandatory for the Government to advance crop loans whenever the price of the commodity at the beginning of the crop year (July 1 for wheat) is below a certain percentage of parity or when the estimated supply is in excess of "normal" domestic consumption and exports. The Secretary of Agriculture, at his discretion, may fix loans at from 52 to 75 per cent of parity. A plan is now being considered providing for the establishment of a basic wheat loan rate at 52 per cent of parity, which would indicate that loans would be made at the rate of 60 cents a bushel. It is proposed that the loan rate be scaled down from the basic rate, depending upon the grade of the wheat and the distance from the market. It has been estimated that at least 200,000,000 bushels of wheat might be pledged against such loans.

On the basis of this estimate, however, there would still remain a surplus of some 200,000,000 bushels of wheat pressing on the market. Unless, therefore, loan provisions are made more attractive, they may fail of their purpose in forestalling a further drop in prices. On the other hand, if loans should have the effect of pegging domestic wheat prices above world prices, our export shipments will suffer.

The combination of heavy export demand and crop loans of 44 to 50 cents a bushel on corn have exerted a stabilizing influence on corn prices. Since last October corn exports have been larger than any seasonal total in fifteen years and present indications are that export demand will be sustained well into 1939. According to the Department of Agriculture 94,595,000 acres will be planted to corn this season, which, with normal weather conditions, would indicate a (*Please turn to page 308*)



WANTED: A Building Revival

Upturn in Construction Would Boost American Radiator

BY C. HAMILTON OWEN

THE building industry is one of the most important elements in our national economy.

American Radiator & Standard Sanitary is the top ranking manufacturer of heating and plumbing equipment.

To emphasize this relationship between the building industry and its leading manufacturer may, offhand, appear obvious. Also obvious may seem the assumption that the business prospects of American Radiator & Standard Sanitary are as good—or as bad—as those for the building industry as a whole. Yet this emphasis is justified because the fortunes of the company are inextricably dependent upon a single industry—more so than are, for example, those of General Motors and the automobile industry, or General Electric and the public utility industry. Both of these companies, the leaders in their respective fields, have many other irons in the first, less important than their primary activities, to be sure, but still important enough to give them a measure of freedom from complete dependence upon a single industry. A degree of industrial independence is often desirable and timely.

Some of American Radiator & Standard Sanitary Products

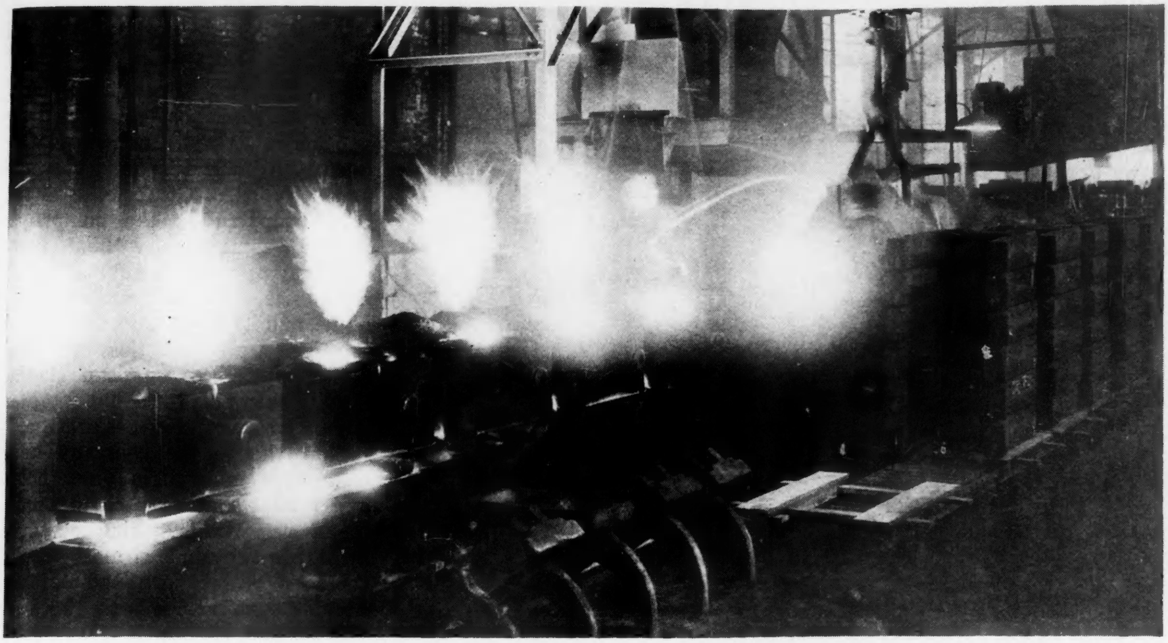
- Gas-Fired Boilers
- Cast Iron Heating Boilers
- Cast Iron Radiators
- Copper Radiators
- Radiator Enclosures
- Hot Water Supply Boilers
- Radiator Valves and Accessories
- Copper Pipe
- Air Conditioning Systems
- Brass Plumbing Equipment
- Complete Bathroom Equipment
- Metal Windows
- Heating Control Devices
- Vacuum Cleaners
- Kitchen Equipment

American Radiator & Standard Sanitary has not been lacking in industrial vision, quite the contrary in fact, but its ambitions have been confined to the limits of its own field. Growth has been marked by integral and complementary expansion. At one time Clarence M. Wooley, the directing head of American Radiator, was seriously considering a super-merger involving his company, Standard Sanitary, Johns-Manville, and Otis Elevator, all identified with the building industry and all leaders in their particular divisions. Any company able to envisage such an industrial empire as would have resulted from such a combination can hardly be said to be in a rut. But it appears to have been a cardinal principle with American Radiator, that having once cast its lot with the building industry, its own field afforded ample opportunity for development, obviating the need to explore other industrial fields. With what results we shall see further along in this discussion.

The last real boom in home building terminated in 1925. In each subsequent year the construction of new residential buildings declined until in 1934, new homes were provided for only 22,063 families—about 4½ per cent of the 1925 total. Even in 1929, the number of families provided with new homes was less than half the 1925 figure. All types of building, exclusive of public works and utility construction, measured in terms of floor space, however, reached a peak early in 1929.

In the years 1932, '33 and '34 building maintained a fairly even keel, but at a level so low as to suggest that in those years the only new building being undertaken was that which for one reason or another could no longer be postponed. Beginning about the middle of 1935, building began to show signs of life and from then on experienced a steady upturn for almost exactly two years. But, starting in the last half of 1937, building again slumped. Thus what was heralded in 1935 as the start of a building boom with the promise of exceeding the 1925 volume has thus far been little more than a feeble pop.

The trend of building construction during this period finds a close parallel in the sales and earnings of American Radiator & Standard Sanitary. In 1928, the year just prior to the merger of the two companies, net sales of American Radiator totaled nearly $91,000,000, while those of Standard Sanitary amounted to about $58,400,000. Combined net sales of both companies, giving effect to their merger, in 1929 were $144,583,000, or about $4,500,000 less than their combined total in 1928. Coinciding with the decline in building activity, sales of American Radiator & Standard Sanitary at their low point in 1932 were less than $50,000,000, or about one-third of the 1928 volume. As compared with an



Pouring molten iron into moulds for boiler units at the Bond plant of American Radiator & Standard Sanitary.

operating profit on sales of nearly 18 per cent in 1929, the operating profit in 1932 was less than one per cent and the deficit after all charges in that year totaled nearly $6,000,000. Sales rose in 1933 and 1934, more adequate profit margins were restored, and the deficit of less than $1,000,000 in 1932 was replaced by a profit of $1,455,000 in 1933. By the end of last year net sales had recovered to $119,696,000, on which an operating profit of 15.5 per cent was shown and net income amounted to $7,205,510. In 1936, net profit of $7,344,513 was the largest since 1929.

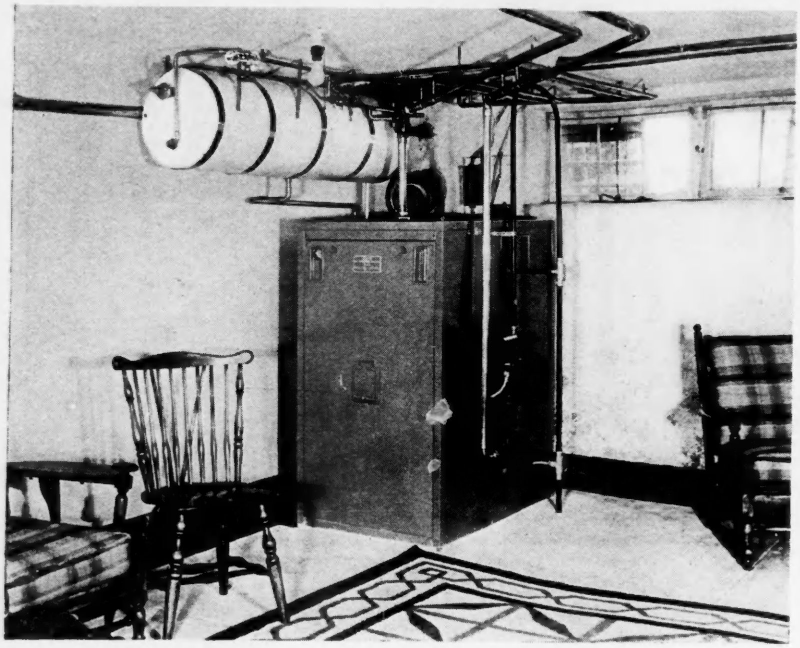
With the company's experience ranging through a severe slump and a partial recovery in building activity as a yardstick, the outlook for sales and earnings over the next six to eighteen months might lend itself to a reasonably accurate forecast. Unfortunately for the simplicity of this procedure, building activity, which would be the principal factor in such a forecast, is so replete with seemingly illogical phases that the processes of considered reasoning may be led astray in the direction of excessive optimism.

Looking at the salient statistics of building and construction, one cannot help being impressed with their exceptional potentialities. The high promise of the building industry has been widely publicized during the past three or four years and the convincing figures pertaining to supply and demand have become common knowledge to practically everyone from high Administration officials and corporation executives down to the local plumber and real estate agent. Buyers and builders, however, are deterred apparently by considerations other than impressive statistics. High costs continue to be a heavy obstacle to new building volume.

Last year was the most active year enjoyed by construction since 1929. Yet building was only 34 per cent of the 1925-30 average annual volume. Even in the most active months of 1936 and 1937, the rate of new construction was insufficient to meet the requirements of the growth in population. It is probable also that the outlays of repairs and modernization were no greater in relation to normal expenditures for these purposes. Buildings of all types deteriorate much faster during depression, when forced economies compel home owners to postpone or neglect upkeep and maintenance. A survey made in 1934, embracing 64 cities, led to the estimate that only 39 per cent of the total homes in the country were in good condition; 44 per cent were in need of minor repairs; 5 per cent needed major repairs; and 2 per cent were unfit for use. Estimates of required housing vary widely, but it may be conservatively stated that at least 2,000,000 homes of the lower cost type are needed by urban families. These families, of course, are not "camping out" but are living in inadequate quarters, forced to do so because, despite the fact that they may earn a good wage, the cost of a new home remains beyond their means.

The requirements of this particular group of people alone would be more than sufficient to create building activity on a national scale surpassing anything witnessed in recent years. But if the conditions necessary to make this particular demand effective are brought about, it is certain also that the same conditions will be equally effective in stimulating replacement building and modernization of existing dwellings. Of the elements which make up our standard of living, none is as obsolete as our homes. Even the dwellings erected in the late '20's are sadly deficient in the materials and conveniences which are now accepted as essential in the present-day home.

It is possible to stimulate further enthusiasm for the potentialities of building by citing the possibilities for developing communities designed for living to replace the many hundreds which do little more than provide shelter at the present time. Every large city has a fringe of such communities, comprising row on row of identical houses, many of them jerry-built, standing on



A modern installation of an Arco oil burner in a private home.

about 3,000 square feet of ground. Unfortunately, however, and unless there is a marked change in the habits of building, these houses will be standing, and occupied, for many years. The habitual tendency of never tearing a house down and replacing it with a more suitable dwelling, letting it rent or sell for whatever it will bring, probably stems from the former method of financing the purchase of a home. The chances are nine out of ten that these old dwellings will be found to be carrying a mortgage and they must therefore earn their keep.

It would be possible to go much further into the potential market and opportunities for the building industry. Enough, however, has been shown to indicate that the possibilities are tremendous. It is to be doubted, in fact, that any other major industry can scan its future and find the balance between supply and demand so strongly in its favor. But beyond that point, the industry is confronted with its biggest question mark—*when* will this huge potential demand be effectively translated into actual large scale orders for building materials. The answer would be readily at hand if the building industry had the means by which it might exercise some control over costs. Then one might safely assume that no further impetus need be imparted to building than might be expected to result from better business generally, anticipated for late summer and autumn of this year.

As it is, building this year has been doing relatively better than many other industries and will do even better when business as a whole gets back on its feet. But in this discussion, we are concerned primarily not with a modest recovery in building, but with the possibilities of a building *boom*. Whether such a boom is likely to occur has a considerable bearing on the investment possibilities of American Radiator & Standard Sanitary.

Like the building industry itself, American Radiator & Standard Sanitary is a huge sprawling enterprise. Like the industry, the company's technical progress has lagged far behind the tempo set by other leading manufacturing industries. The company has been slow in adopting new methods and many a smaller manufacturer has frequently led the way in developing new products. Competitors have been snapping at the company's heels for some time, without, however, any appreciable effect. By its sheer size, intensive selling technique, and its stubbornly entrenched prestige with the jobbing and plumbing trades, American Radiator has been able to all but smother any serious competitive challenge.

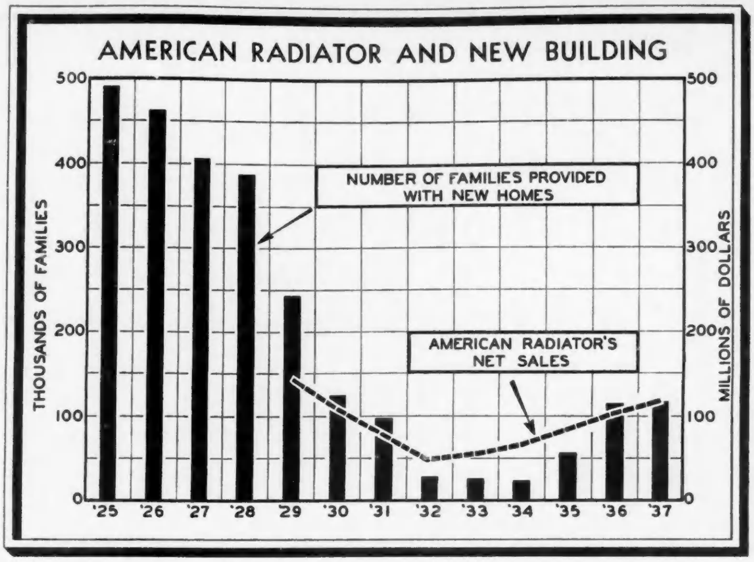
Slow though the company may have been in exploring new fields and products, it may claim credit for a remarkable selling achievement. In the minds of most people, the name of American Radiator has become synonymous with the best and most -up-to-date heating equipment; the name of Standard Sanitary and its trademark, "Sanitary," is likewise identified with superior plumbing and sanitary equipment. There is undoubtedly other heating and plumbing equipment which is just as good, perhaps better, and available at the same price, but the uninitiated buyer is likely to be wary of equipment which is unknown to him. The products of American Radiator & Standard Sanitary have been made known to the public through national advertising mediums and their name alone must account for a very substantial part of their sales volume.

Another vital factor favoring the company competitively is its long standing prestige with the thousands of jobbers, plumbers and heating contractors throughout the country. This large fraternity of tradesmen and craftsmen has within its power to make or break a particular item of building equipment. American Radiator has long cultivated their favor and, unwilling to take any steps which might jeopardize this good will, the company has always proceeded cautiously in introducing new products, knowing that plumbers are reluctant to change their tools or learn new methods.

Abroad, American Radiator has done an equally thorough selling job. Prior to the merger with Standard Sanitary, foreign business accounted for at least 50 per cent of American Radiator's total volume, and last year 23 per cent of the present company's total business was contributed by foreign sales. Foreign business has undoubtedly stood the company in timely stead through the recent years of depressed building in the United States. During this period, several important building booms were occurring in Europe.

To enable the company to manufacture an estimated 45 per cent of all the heating and sanitary equipment sold in the United States and supply the important foreign markets, a total of forty-one domestic (including Canada) and sixteen foreign plants are operated. Sales offices are maintained in all leading European cities and in eighty-four key cities in the United States and

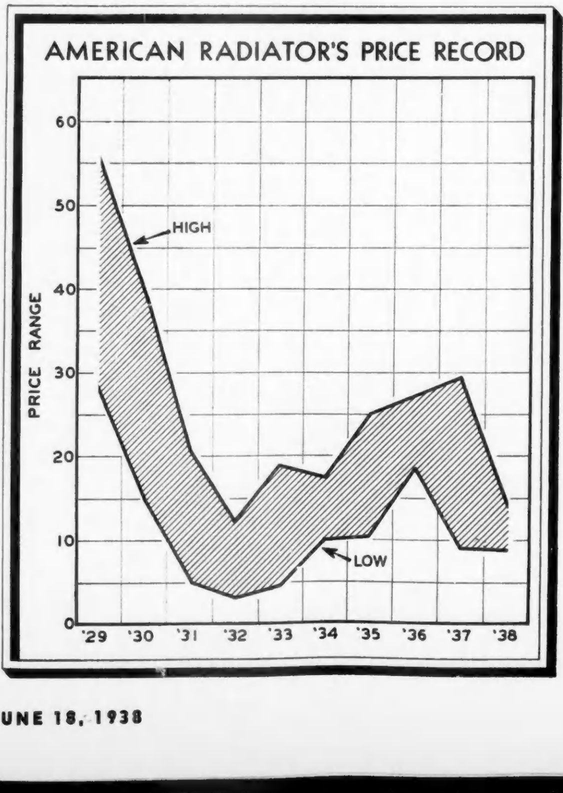
Canada. To list all of the products turned out by these plants, the company publishes a 16-page pamphlet briefly describing more than 150 items, including a full line of heating and ventilating equipment, enamelled and vitreous chinaware for bathroom equipment and complete air conditioning for one room or an entire building.



With characteristic conservatism, American Radiator has husbanded its financial resources. At the end of 1929, and giving effect to the merger with Standard Sanitary, working capital totaled $80,356,000 and included cash and its equivalent of more than $27,000,000. By the end of 1932 working capital had dwindled to some $44,000,000, but cash items amounted to more than $21,000,000. The following years of gradual improvement in sales and earnings restored working capital to $57,500,000 by the end of last year. Although cash items at the end of 1937 totaled only $15,244,000, this is explained by an increase of $4,455,000 in inventories to $41,748,000.

The company's principal item of funded debt is $10,000,000 4½ per cent debentures, due 1947. In addition there are two installment notes of subsidiary companies, aggregating $1,680,000. Preferred stocks of minority interests are outstanding in the amount of $5,724,439 and there are 47,864 shares of the company's 7 per cent preferred ($100 par) outstanding. Shares of common outstanding total 10,158,738.

The year of the merger of American Radiator and Standard Sanitary, 1929, was also the most profitable. Net income was equal to $2.02 a share for the common stock. Per-share earnings in 1930 of 60 cents were less than one-third of the 1929 peak. Losses were shown in each of the next three years. In 1934 the common earned 11 cents a share, 24 cents in 1935, 70 cents in 1936 and 68 cents a share last year. Dividends totaled $1.12½ in 1929 and $1.37½ in 1930, 70 cents in 1931 and 10 cents in 1932. Nothing was paid on the common in 1933, '34 and '35. Payments were resumed in 1936 and dividends last year totaled 60 cents.



In the first quarter of this year the company showed a loss of about $650,000, as compared with a profit of $1,648,624, equal to 15 cents a share for the common, in the same months a year ago. Gross sales in the current period fell below $25,000,000, in contrast with the total of $33,141,394 in the first three months of 1937. Normally, the first quarter is the company's least active period, contributing only about 15 per cent of total sales, as compared with 20 per cent in the second quarter, 30 per cent in the third and 35 per cent in the fourth.

It is probable, therefore, that second quarter results will be better, sufficiently better in fact to take the company out of the "red." Full year's results will depend upon the extent to which the promise of recent F H A activity is borne out in actual building. Giving the company the best "breaks," earnings this year may equal 25 cents a share, perhaps slightly more, for the common stock. Earnings of 50 cents a share, or better, would mean that the building industry as a whole had definitely resumed a recovery trend.

On this basis the shares, currently selling around 10, are by no means an investment bargain, although their market relation to current prospects is no further out of line than many other leading industrial equities. From a short term speculative standpoint, it is a fairly safe assumption that any upturn in the general market over the next several months would net a worthwhile gain percentagewise on American Radiator shares. Also in evaluating American Radiator's speculative prospects, allowance must be made for the fact that the common is a 10,000,000-share issue, resulting in a comparatively low leverage ratio. As a *long pull* investment stake in the building industry, American Radiator may well prove a profitable medium—if and when there is a building boom.

Critical Point in Coppers Is Here

With Downswing Losing Momentum, Gradual Accumulation in the Face of Discouraging News Should Be Profitable

BY FRANK R. WALTERS

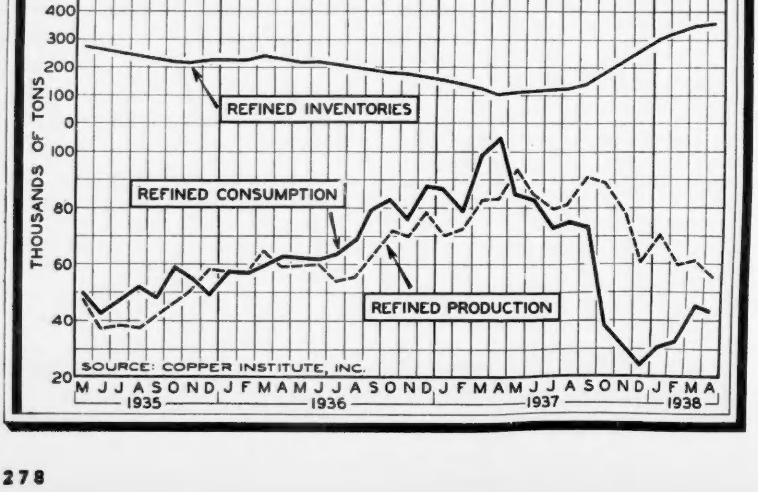
OPTIMISM toward the copper issues must be based primarily on the three main possibilities in the situation—armament buying, a visible trend toward inflation, and a revival of business prosperity. The first is "stale" as far as the market is concerned; only a definite surge in purchasing by the important nations would mean more than temporary help for stock prices. Falling commodity markets have taken the edge off expectations of nearby inflation, which may indeed be closer than we realize, but which is not furnishing any impulse toward higher equity prices at the moment, at least. A revival of business would be the most powerful incentive to buy the copper issues, but its imminence is still a matter of individual opinion. Therefore, the more tangible facts in the nature of growing supplies, an anaemic demand, and a slipping price for the metal are holding the coppers very close to their lows for the year to date.

This conflict is a familiar one—frequently a promising one, in cases where stock prices refuse to give ground despite the preponderance of statistical evidence that they should move lower. Three months ago in an article entitled "Are the Coppers Really Cheap?" this writer reached a depressing conclusion: "Barring an outbreak of war, the immediate future offers little in the way of encouragement and depends upon general business revival, not upon conditions within the industry. Should the revival be postponed for any length of time it seems inevitable that the market prices of copper issues will work lower."

Today, with the group selling some 30 per cent below the levels prevailing in March, with the statistical position certainly no better, and with the price of the metal a cent a pound lower, it would seem difficult to take a more optimistic attitude toward these issues. Yet that is the direction in which the intangible factors point, and these, although less satisfying, are often more dependable as a guide than any amount of definite and irrefutable figures to the contrary.

There is widespread pessimism both as to the consumption and price of copper, many observers feeling that the present level of 9 cents a pound for domestic metal is likely to drop to 8 and possibly to 7 cents. This is entirely logical on the facts as they stand, although certain recent developments which will be discussed later should tend to strengthen resistance at the nine-cent level. Consumption has picked up from the year-end dip, but has shown no disposition to extend its improvement into anything more lasting. Based on the monthly figures available so far this year, total consumption for 1938 appears headed for a position below any of the last three years and not more than comfortably above the average for 1932-1934. In other words, if present demand for copper holds unchanged indefinitely, which is by no means admitted as a reasonable forecast, then the conditions of the last depression including the abysmally low market prices for copper issues must be faced as a definite possibility.

Domestic stocks of copper on hand at the end of April totaled 335,000 tons—against less than 100,000 tons a year



The Status of Representative Big Board Copper Stocks

	1937 Earnings per Share*	1937 Price Range High	1937 Price Range Low	1938 Price Range High	1938 Price Range Low	Recent Price	COMMENT
Anaconda	$3.62	69½	24½	36¾	21	23	Cutting domestic production but foreign mines continue active.
Andes Copper	1.52	37½	7	19	10	11	First quarter income equalled last year's but current comparisons will be poorer.
Calumet & Hecla	.93	20⅛	4	10¼	5¼	6	Rich ores near exhaustion and costs will be higher.
Cerro de Pasco	5.18	86⅜	34¾	46½	26¼	33	Silver, lead and other metals tend to stabilize copper profits.
Chile Copper	5.07	80	36	37	25	28	As a foreign producer, depends upon world consumption.
Inspiration	1.61	33⅛	6¼	15⅜	7⅛	9	Costs have been reduced, but are too high to permit substantial profits at current prices and volume.
International Nickel	3.32	73⅜	37	52¾	36⅞	42	Nickel production adds an element of long-term growth to this important factor in the copper industry.
Kennecott	4.60	69⅜	28¼	43¼	26⅜	28	Almost two-thirds of 1937 production was domestic and these mines are now closed.
Magma	3.57	63	18½	30⅞	18¼	22	Low costs have helped to build up consistent earnings record.
Miami	.98	26¼	4⅝	11⅞	5¾	7	Comparatively high costs make this issue one of the more speculative.
Phelps Dodge	1.75	59⅞	18½	31⅜	17⅝	19	Restricted production and lower silver prices are affecting earnings.
Roan Antelope	1.31a	28¾	18⅛	20¾	14⅛	15	This low cost African producer is a speculation on European demands for the metal.

a—Year to June 30th. *—In some cases before depletion.

earlier. This is a sharper jump than was registered in any of the years between 1929 and 1932, and if the trend were continued for any length of time there would be danger of just such a glut as occurred in the worst of those years. The important producers are determined, however, to prevent another 1932, with five-cent copper and a demoralized industry, and so they have already begun to close down their domestic mines. Phelps Dodge, for instance, has been operating at a 50 per cent rate for months, Anaconda has closed most of its mines, Kennecott has closed all mines for an indefinite period, and of course the higher cost producers have little inducement left to them to go on piling up unsold metal.

The cut in output will bring mine production definitely below shipments, but at the current rate of apparent consumption every mine in the country could be closed for eight months before stocks on hand would be brought back to where they were a year ago. The favorable effects of the shutdowns are therefore psychological rather than concrete. They will not pull the industry out of its slump, nor could they of themselves hold up prices or cause a buying wave. They do, however, reduce the danger of a statistical debacle, and they set the stage for healthy improvement when other contributing causes come into line. Purchasers of copper may now feel reasonably sure that whether or not they manage to get the very bottom prices, their inventory losses will be limited from this point on.

The bad news on consumption figures is apparent and has had full chance to be discounted. News on the production side should continue to be of either neutral or helpful import. Price alone is left as the chief unknown quantity, in a sense the product of demand versus supply, but also a determinant of the all-important rate of demand. Copper is cheap enough at 9 cents a pound to encourage its use, yet the threat of a dip to 8 cents can hold off buying almost indefinitely, and this in turn may very possibly force the price lower.

On the other hand, postponed buying is continually piling up, laying the groundwork for a scramble of some degree when it becomes obvious that the worst is past. As long as the trend remains discouraging, this demand will be hardly visible; it will in fact be non-existent until the turn comes; then it will be more important than the most complete array of statistics proving its non-existence. Running over the large consuming industries—building, railroads, utilities, motors, and so on—each of them appears unlikely as the force to touch off a rise in demand, but they are individually capable of it in such a setting as the present.

When buying does pick up, it will not be merely in proportion to an increase in activity by, for example, an automobile maker. The need will be cumulative and will progress geometrically, uncovering a deficiency of supplies in the least expected places. Each pound of copper added to ultimate consumption will swing several times its own weight in affecting demand. The process has been repeated so often in the past that there is little doubt as to its eventual occurrence, and the timing is the difficult point.

In applying these considerations practically to the copper issues, it is important to remember that the coppers are typically "swing" stocks, spending most of their time in relatively large movements up or down, but making little or no net progress from peak to peak.

The recent action of the copper stocks in resisting the plethora of bad news on the industry has strongly suggested that they are now within that sector of the swing which, while perhaps not the bottom, is near enough to it to induce gradual accumulation. It can hardly be doubted that purchases at this point will ultimately work out well, but the immediate question is: How much further has the group to fall? For those who are willing to accept the cold figures, the drop to current levels will seem hardly sufficient. Others, among them the writer, consider the technical and psychological background more promising than at any time in a number of months, and feel that the low so far recorded will not be drastically revised when the figures for the full year are set up.

The conservative attitude toward the group dictates a waiting policy for the present, with the idea of observing the action in case another (*Please turn to page* 310)

Super Markets—A New Factor in Food Chain Merchandising

BY RALPH M. COLLINS

Many times it has been said that we have solved the problem of production but have fallen down badly in the matter of distribution. There is certainly a deal of evidence to support this theory. One has only to contrast all the facilities of production that have never been used to capacity, a reserve of labor and, in this country at least, no lack of working capital, with the obviously poor standard of living which is the lot of countless of thousands. On the face of it, there is something wrong with distribution when great masses of people are just not in a position to buy things they need and which the nation is in a position to produce freely.

Yet, if distribution is still faulty, it is not to say that there have been no serious efforts to better it—efforts which have been attended with no small measure of success. It seems, however, that the achievement of any worthwhile economy in distribution breeds a germ with potent powers to nullify the result. For instance, probably no single development has done more to make for economies in distribution, especially the distribution of the essentials of life, than the chain store. The price of foodstuffs in the efficiently run chain averages about 10 per cent lower than in the independent grocery. Nevertheless, despite the fact that everyone in the country is a consumer and everyone in the country has been benefited directly or indirectly by the chain store, powerful forces are out to destroy the chain and cancel the economies in distribution which it has provided.

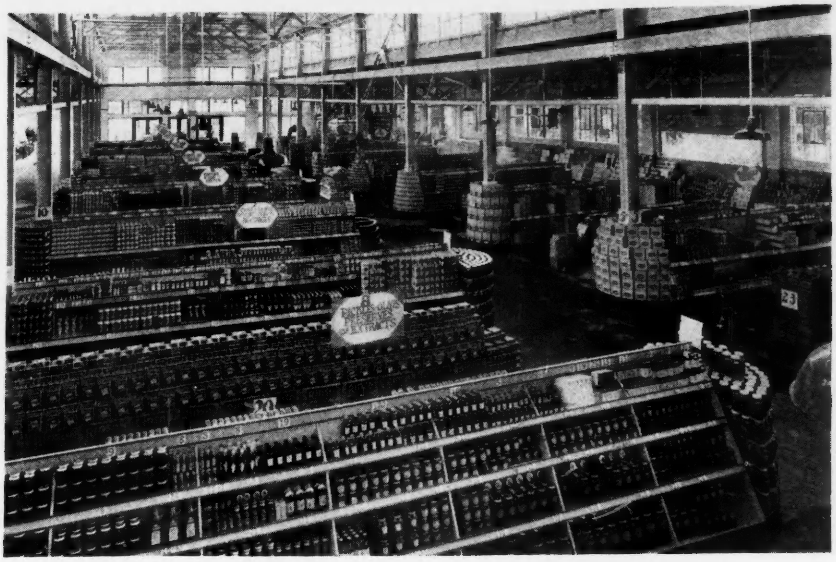
Fortunately for us all, and especially those that have invested their money in chain store operations, the fight is not yet over, although it must be admitted that the anti-chain-store forces have caused already important modifications in the chains' system of doing business. It is, of course, the independent grocer who is working most actively against the chains. He has rallied to himself the independent retailer of other lines, the small-town businessman generally and has awakened politicians to the idea that there is political profit to be made out of anti-chain agitation. And the result has been a mass of discriminatory legislation. Today, the great majority of the states have some kind of tax law designed to penalize the chains by levying a tax per outlet which increases as the number of units increases. Then there are the various state Fair Trade laws which struck the chains a hard blow by interfering with their price policy—in some instances specifying a minimum mark-up far in excess of what the chains had been accustomed to add to the majority of goods handled. Even the Federal politicians have taken up the matter and we have the Robinson-Patman Act which among other things, by prohibiting a manufacturer granting discounts on volume purchases in excess of the *actual* savings effected, restricted the chains' ability to obtain lower prices by mass buying.

This would be bad enough—it may indeed prove fatal to chain operations as we have grown to know them—but it is by no means all. Not only is the politician, egged on by the independent merchant, trying to coun-

Courtesy Super Market Merchandising

The new A. & P. Super Market Recently opened in Asbury Park, New Jersey.

teract the chains' greater efficiency, but there has evolved a new system of distribution which is even more efficient than the old-fashioned chain. It is the so-called super market. These were born out west a number of years ago taking the form of perpetual bazaars, housed in large unoccupied buildings, set where possible outside the city limits with a view to saving taxes and that they might operate at lessened expense generally. They came east during the Hoover depression and have developed with great rapidity in the last three or four years. Today there are between 2,000 and 2,500 super markets each with an annual sales volume of about $300,000 and new ones are being opened almost weekly.



Courtesy Super Market Merchandising

Interior view of A. & P.'s new Asbury Park Super Market.

There is no accepted definition of a super market, but everyone will recognize a description of the first ones, in some instances little changed today. They were huge, unadorned, barn-like structures—possibly an old factory building. There would be parking facilities, for more than likely they would be set far from a shopping center. The customer on entering procured a basket, a miniature wheel-barrow or a double-decked perambulator and wandered at will between clerkless aisles selecting from the stocked counters. Finished, he arrived with his cans and boxes before a cashier where his purchases were quickly totalled and packed. He paid and left.

The appeal of the old super market was based exclusively on price. No trimmings or trappings, no delivery or other service, minimum rent and other overhead expenses, and a cash business all made for profits under a mark-up which even the chain store found hard to meet. Amazing volume has been attained by some super markets—as much as two or three millions a year, which compares with an average annual volume per outlet for a chain store system of something in the neighborhood of $50,000.

Economically, seldom does anything stand still and the super market is not among the exceptions. Yet, while one can report that it has grown prodigiously and is still growing, it is less easy to tell in what direction the development is headed. One can discern a tendency for the super market to become more attractive, although this takes a number of different forms. Some have taken to drawing customers by bingo parties and cooking schools, others have gone in for better equipment and more elaborate facilities and premises. Still others interpret "more attractive" as "more convenient" and have located close to shopping centers, thereby breaking away from the miles-from-anywhere theory. It is to be reported also that there is a tendency for the super market chain to develop and today not far from 20 per cent of all super markets are one of at least three other super markets under the same management.

Confronted with political persecution on the one hand and competition from super markets on the other, the old-line grocery chains—Great Atlantic & Pacific, Kroger, Safeway, American Stores—quickly found themselves in a position where something would have to be done. Their actions reveal a good deal of bewilderment. They have fought the discriminatory tax laws in the courts, but this has resulted in little more than a long line of victories for the other side. Only once do they appear to have fought really hard against adverse legislation *before* enactment. This was in California where in 1936 a referendum vote on an anti-chain-store bill killed the measure.

They have, however, swung into the operation of super markets themselves and this may well prove in large measure a solution to their troubles. In the first place they have the organization. Secondly, by operating super markets themselves they attain a competitive level where they can fight on equal terms with others operating super markets. Thirdly, super markets are a potent weapon with which to fight independents and co-operative chains. Fourthly, while there is no possibility that the corner grocery can stand such taxes as have been imposed by some states, there is a chance that the burden could be absorbed by a unit which does ten or fifteen times as much business.

It has been said already that it is hard to tell in what direction the super market is headed. Well, this applies more than ever with the old line chains in the field, for while they are all opening super markets there is no uniformity of pattern even in the policy of a single chain. The A. & P. for example is opening super markets, some of which are super super markets while others are little more than an old store streamlined to carry a greater variety of merchandise and featuring self-service. Neither is it possible to find a common denominator in location, in style of architecture, or in the existence or its lack, of such facilities as parking space. In other words the A. & P. unquestionably is experimenting and probably (*Please turn to page 310*)

Where First Recovery Profits Lie

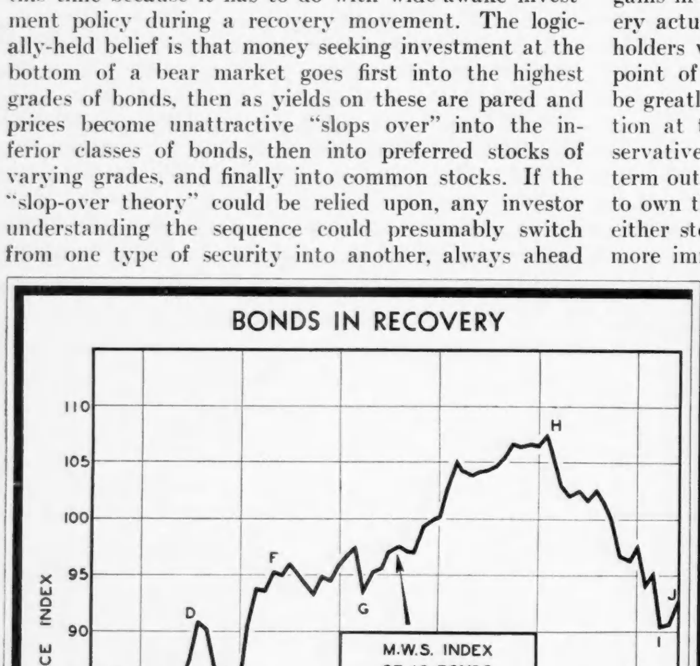
Bonds, Preferreds and Commons Examined for Timing in an Upswing

BY CYRUS G. V. WHITE

A GREAT many theories linger in Wall Street after they have lost so much of their truth that they are no longer useful. Because of their long standing, they acquire an authority they may never have earned; and even when still partially valid, they are capable of damage to those who trust them blindly.

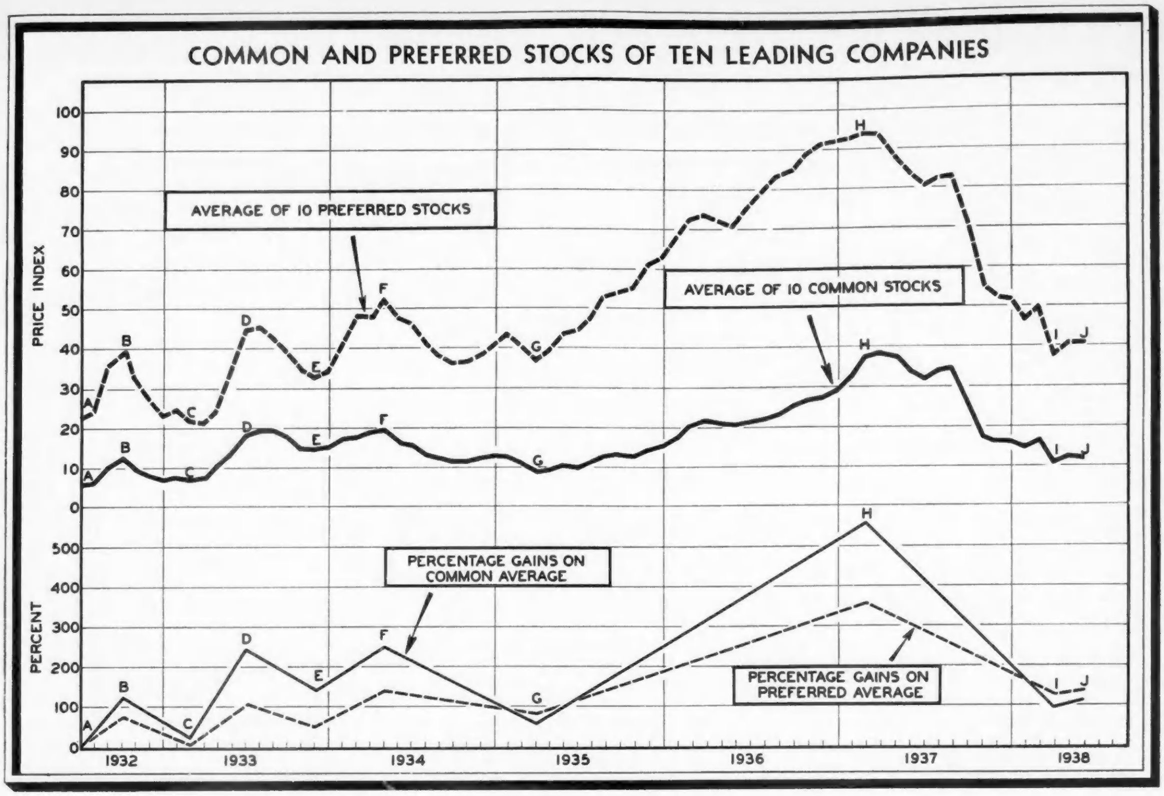
One such theory in particular is worth examining at this time because it has to do with wide-awake investment policy during a recovery movement. The logically-held belief is that money seeking investment at the bottom of a bear market goes first into the highest grades of bonds, then as yields on these are pared and prices become unattractive "slops over" into the inferior classes of bonds, then into preferred stocks of varying grades, and finally into common stocks. If the "slop-over theory" could be relied upon, any investor understanding the sequence could presumably switch from one type of security into another, always ahead of the shifts in demand and never left waiting in a dormant group.

An example will make the possibilities clear. At the bottom of a depression the bonds of a certain company are selling at 60, the preferred stock at 30, and the common at 8. Provided the company is to make a comeback, there will probably be the largest percentage gains in buying the common stock, but until the recovery actually arrives the position of the common stockholders will be relatively unattractive from the standpoint of income and security. Should the depression be greatly prolonged, there is the threat of a reorganization at the expense of the common equity. The conservative investor who feels confident of the longer term outlook for the enterprise would very likely prefer to own the bonds at a substantial discount rather than either stock issue, until a return of prosperity becomes more immediately probable.



Now suppose that by rubbing some sort of lamp we could see into the future to the end of a complete recovery cycle, and find the bonds selling at 100, limited to that price by a call provision or a low coupon, the preferred at 100 also, and the common at 40. The gains for the three classes of securities in the same company from depression levels will have been 66 per cent, 233 per cent, and 400 per cent, respectively. An investment of $6,000 in the bonds would now be worth $10,000, while the same amount put into the preferred stock would have grown to $20,000, and in the common to $30,000. The investor who could feel sure of these prices would buy the common at 8 rather than either the preferred stock or the bonds.

But if the "slop-over theory" held valid, there would be a way not only to stay with the more conservative issues during the early doubtful stages of the recovery, but actually to improve upon the rate of gain shown on the common stock investment. It could in that case be presumed that the



COMMON AND PREFERRED STOCKS OF TEN LEADING COMPANIES

three classes of securities would move at certain stages of the recovery somewhat as follows:

	Bonds	Preferred	Common
Depression stage.......	60	30	8
First recovery stage.....	90 (50% gain)	36 (20% gain)	9 (10% gain)
Second recovery stage..	100 (66% gain)	60 (100% gain)	10 (25% gain)
Final recovery stage....	100 (66% gain)	100 (233% gain)	40 (400% gain)

The investor would buy ten bonds with his $6,000 and hold them until the prices of the first recovery stage gave him the opportunity to switch out of the bonds at 90 and into 250 shares of the preferred stock at 36. At the second stage he would switch from the preferred stock at 60 into 1,500 shares of common at 10, holding this until the final stage when his $6,000 investment would have grown to $60,000—a gain of 900 per cent.

Unfortunately, there is little basis on which to predicate a belief that such an orderly and logical sequence of price improvement will occur in the future. In accompanying charts are shown THE MAGAZINE OF WALL STREET index of forty bonds from mid-1932 to date and specially constructed averages of ten preferred and ten common stocks. The stocks have been chosen at random, except that each company has both a common and a preferred issue outstanding, the latter in all but one case cumulative. Diversification has been achieved by using both the common and preferred stocks of the following companies: American Locomotive, American Woolen, Commonwealth & Southern, Curtis Publishing, Electric Power & Light, General Cable, Missouri-Kansas-Texas, New York, Chicago & St. Louis, U. S. Rubber and U. S. Steel.

The charts show that the last recovery failed to bear out the theory under discussion. Since they are constructed on a monthly basis, it is impossible to detect any advantage which may have been gained from day to day by traders using this theory, but it can be seen that moves in the common stocks were practically simultaneous with those in the preferred average. Furthermore, although the straight arithmetic averages indicate a larger gain in points by the preferred stocks than by the commons, the exact opposite holds true on a percentage basis.

And after all it is the percentage appreciation on a given capital rather than the points gained by an issue that is important to the investor. Two thousand dollars invested in 100 shares of common stock at 20 grows to $3,000 if the stock rises to 30—only ten points, but 50 per cent. The same $2,000 would purchase only 40 shares of a preferred stock at 50, and would grow to only $2,800 if this issue rose twice as much as the common to 70—20 points, but only 40 per cent.

The two light lines showing percentage gains relative to the 1932 starting points make it evident that whenever wide spreads developed they were in favor of the common average, and that even after adjustment for dividends paid on the preferred issues they have at no time offered an opportunity for profitable switching such as that shown in the example above.

In the first rally from June to September, 1932, the common average gained 127 per cent, the preferred average 73 per cent, and the bond index 15 per cent. On the setback to February of the following year, both bonds and preferred stocks lost almost all of their gains, while the common (*Please turn to page 308*)

LONE STAR CEMENT CORP.

Strong Competitive Position

Has made an operating profit in all but one year since the company's formation in 1919

BY J. S. McCORD

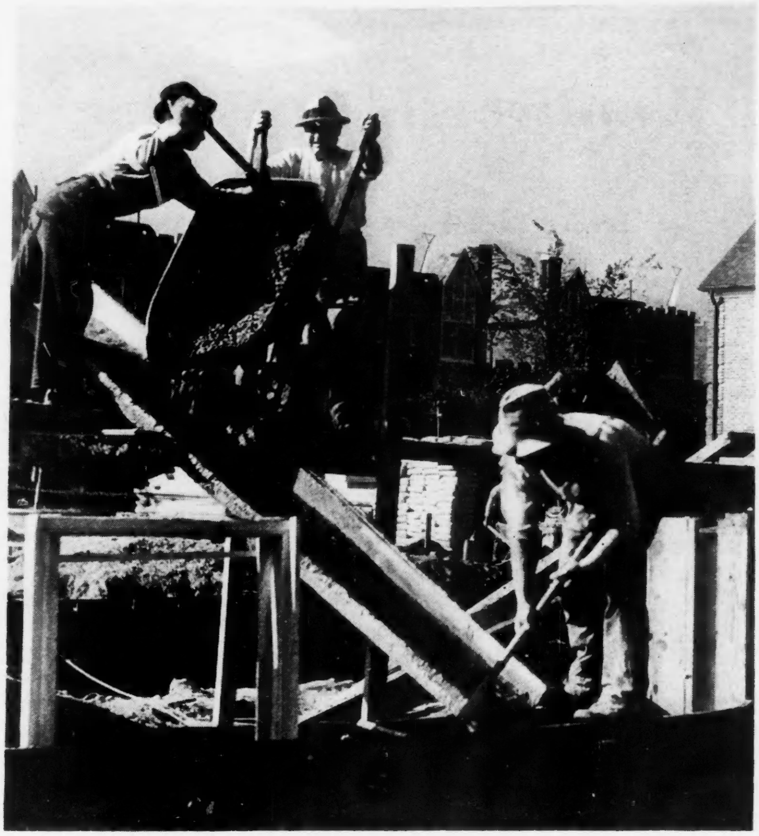
THERE are a number of peculiarities about the cement business. There is first of all the product itself and its remarkable quality of producing stone-like permanency from a mixture of such ordinary substances as sand, gravel and a ground up mineral clinker. It is very questionable whether modern civilization as we know it with its miles of smooth roads, its tall buildings, its bridges and tunnels would be possible at all without cement.

Among the peculiarities of the business itself is that despite a perfectly amazing increase in demand, productive capacity is accustomed to keeping several miles ahead. The modern "Portland" cement industry in the United States dates only from the 1870's. Yet, in this short life production rose to a peak of no less than 176 million barrels in 1928. (With cement, the barrel, which no one sees, is the unit: it consists of four bags weighing 95 pounds each giving the barrel 376 pounds of cement net.) Overbuilt as it has always been, the industry fell on evil times during the Hoover depression and in 1933 production was less than 64 million barrels. Since then there has been some improvement, although output has never even approached the previous peak and so far this year production has been running materially under last.

Yet another peculiarity of the cement industry results from the fact that the direct cost of producing the material is almost negligible compared with the maintenance of the huge investment and overhead costs generally. During times of stress and decreased consumption this has made for a tendency to keep plants operating almost without regard for true costs, just so long as the money received for the product would cover out-of-pocket expenses. Such conditions result, of course, in the industry's being enveloped periodically in waves of cutthroat competition. Moreover, price-cutting is the more likely because cement is a thoroughly standardized material, that of one manufacturer being identical, for all intents and purposes, with that of another manufacturer and by far the most important reason why one company should obtain a particular piece of business is the question of price.

For a company to steer through all these shoals a course that results in reasonably constant profits is no mean achievement. The Lone Star Cement Corp. is among those that have managed to do so. In only one year since its incorporation in 1919 has it failed to report an operating profit and in only two years, 1932 and 1933, did it fail to cover fixed charges. Dividends on the common have been paid in every year with the exception of 1933.

While the Lone Star Cement Corp. is the largest independent unit in the field, this is not an industry which is dominated by a handful of companies. Lone Star's capacity is 24,000,000 barrels annually, of which something less than a third is in plants abroad. Say its domestic capacity is between seventeen and eighteen million barrels, then this would compare with the country's total theoretical capacity of about 250,000,000 barrels.



Gendreau

Because cement is cheap and heavy, the cost of transporting it from mill to consumer is a matter of major importance. Possibly in no other product of general use does the delivered price represent as much freight as in the case of cement. For this reason the successful manufacturer must operate many plants, place them as close to large consuming outlets as a source of raw materials will permit and in this way save as much freight as possible. The location of Lone Star's plants include Hudson, New York, where the capacity is about 2,000,000 barrels annually; Greencastle, Indiana, where the capacity is almost half as much again; Dallas and Houston, Texas, with a combined capacity in excess of 3,000,000 barrels; Norfolk, Virginia, where the plant capacity is 1,300,000; Nazareth, Pennsylvania, where the capacity is 2,000,000; Bonner Springs, Kansas, where the capacity is 1,400,000; Birmingham and Spocari, Alabama, where the combined capacity is slightly less than 3,000,000; and finally New Orleans, Louisiana, where the capacity is 1,800,000. The plant at New Orleans is something of an exception so far as being adjacent to a source of raw materials is concerned. On the other hand, the raw materials can be floated cheaply down the Mississippi and, of course, there are advantages in having the market right at the doors of the plant.

Abroad, Lone Star Cement operates in Cuba, in the Argentine, in Uruguay and in Brazil. Last year, the company spent in all $3,230,000 on capital expansion and improvements, the major part of which was the cost of the new plant at Parana in the Argentine. By and large Lone Star's foreign operations have been very successful, the plants abroad operating at more nearly their capacities than those in this country. Offsetting this to some extent, however, have been the restrictions on foreign exchange transactions which Latin American countries from time to time impose, although last year Brazil was the only one giving trouble on this score.

While roads, bridges, tunnels, dams and other governmental projects are spectacular and unquestionably consume immense tonnages of cement, the industry is really closely geared to activity in private business and, of course, more especially to activity in private construction. Thus it is that the earnings of the Lone Star Cement Corp. have fluctuated closely with the usual business indices. Steady improvement was registered between 1932 and 1937. Last year the net profit of $4,079,825, after interest, depreciation, depletion and taxes, including the surtax on undistributed profits, was equivalent to $4.17 a share on 977,795 shares of common stock, including 16,400 shares which the company holds in its own treasury. This showing represented a sharp improvement over the $2.99 a share of common reported for 1936.

Earnings reported for the first quarter of this year were but slightly lower than those of the first three months of 1937. Per-share results of 76 cents were the same in both cases because of the smaller number of shares applying to the 1938 quarter. No official figures are available, but it is believed that the maintenance of earning power in the face of the depression may be attributed to the manner in which foreign operations have held up compared with those in this country.

The capitalization of the Lone Star Cement Corp. consists solely of the common stock mentioned above. In 1935 the company sold an issue of convertible debentures and with the money obtained retired a previously outstanding issue bearing a higher coupon rate. A year or so after the most recent offering the conversion privilege became attractive and, as a result, all funded debt disappeared leaving common stock the only capital liability. Further strength is imparted to the organization by a strong working capital position. At the end of last year Lone Star Cement reported current assets of $11,100,000, of which $4,600,000 was in the form of cash, while current liabilities aggregated only $1,800,000.

Out of last year's earnings of $4.17 a share, the company distributed dividends *(Please turn to page 309)*

Woolworth Is Better Than Average

Strong Technical Position of the Stock Confirmed by Stable Earnings

BY FREDERICK K. DODGE

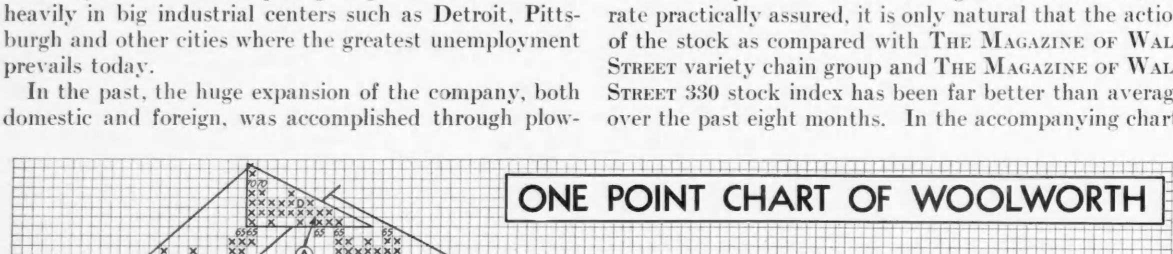
In these days of declining earning power with almost inevitable dividend reductions and omissions, it is particularly refreshing to note exceptions to the trend and outstanding in this respect is F. W. Woolworth Co. With reports showing dollar volume for the trade generally approximately 2 per cent below those of the first four months of 1937 and, because of sharply higher costs, profits substantially lower in most cases, it seems almost incredible that Woolworth's profits to the end of April closely paralleled those of 1937.

The company, under the pressure of competition, was practically forced to remove the ten-cent maximum price restriction and the added appeal of new articles without a maximum price ceiling has played an important part in maintaining sales and profits in a period of general business recession. Another contributing factor has been the broad expansion and rehabilitation program of the past several years, which has modernized existing stores and added new outlets in strategic locations. With regard to the latter, the management has been particularly astute in that it has avoided concentration in any particular area, which has been of great advantage as compared with competing organizations centered heavily in big industrial centers such as Detroit, Pittsburgh and other cities where the greatest unemployment prevails today.

In the past, the huge expansion of the company, both domestic and foreign, was accomplished through plowing back of earnings, but last year, for the first time, $10,000,000 of 10-year 3 per cent sinking fund debentures were sold to a large institution. The modernization program and the necessity of carrying higher priced inventories placed a heavy burden on working capital but the management was able to procure funds at a reasonable rate of interest and the value of the funds in the expansion program should more than offset the interest charge ahead of common stock earnings. The only other liability ahead of the 9,703,612 shares of common stock is $1,727,750 of purchase money mortgages.

Undoubtedly, the continued contraction of public purchasing power will have some effect on Woolworth's earnings over the remainder of the year, and it is highly improbable that the excellent results of $3.42 a common share last year will be equalled, despite the maintenance of earning power in the first four months. Nevertheless, the tendency of the public to trade-down during hard times will assist in maintaining volume, and it is reasonably certain that an increased amount of money will be put in circulation by the Administration's pump-priming plans to boost consumer purchasing power.

With adequate dividend coverage of the current $2.40 rate practically assured, it is only natural that the action of the stock as compared with The Magazine of Wall Street variety chain group and The Magazine of Wall Street 330 stock index has been far better than average over the past eight months. In the accompanying chart,



on this page, the above items have been plotted on a logarithmic scale for the purposes of comparison and the comparatively better action of Woolworth common stock can easily be discerned.

Prior to the October break in the market, THE MAGAZINE OF WALL STREET variety chain index, which includes Woolworth, stood at 222.9 and after declining to a low of 146.0, now stands at 162.7. THE MAGAZINE OF WALL STREET combined 330 stock index during the same period dropped from 77.7 to a low of 44.2 and has since risen to 47.9. Both of the indices reached their lows in March but Woolworth, after declining from a high of 42 to 35 in late December turned upward prior to the group and combined index to present levels about 43, a figure higher than that prevailing when the original decline set in. Certainly, this is market performance surpassed by a few stocks on the New York Stock Exchange.

The longer term movement of Woolworth stock has been depicted in the one-point chart of the issue from February 1936, to date. It is of interest to note that this was one of a number of the issues which topped out in November 1936, and because of a tendency to fluctuate within parallel trends in a major movement, the penetration out of this diagonal-upward parallel trend (indicated by the arrow A) in early December 1936, provided a warning of an impending reversal of the movement, at least, in Woolworth common. Had this signal occurred in Woolworth alone, the signal would have been of little value with regard to the major movement, but the fact that a number of other individual issues and groups reached their apex of the bull market at the same time added weight to the theory that a major reversal was in the offing.

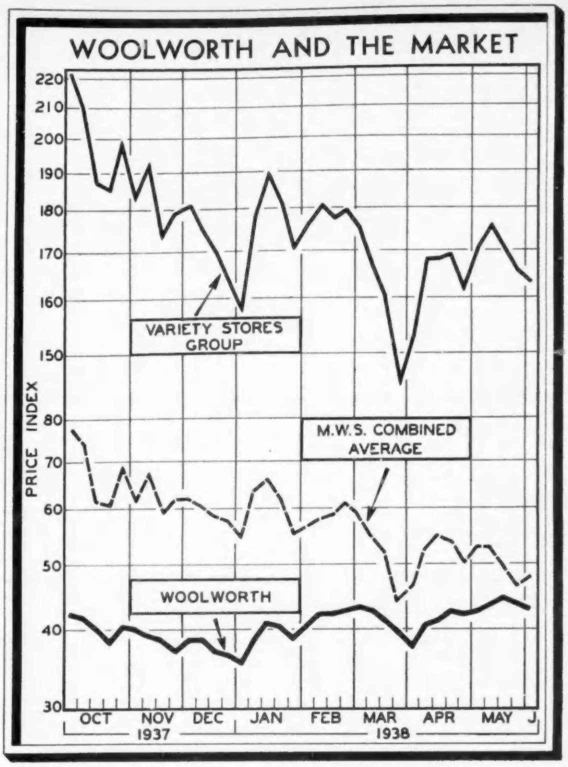
In addition to the breakout from the parallel trend, a strong descending triangle was formed at the top in 1936, with a horizontal base at the 66 level. After one false break-out at 65 and a return into the triangle to 67, the true downward move occurred with the bear market movement resolving itself within diagonal parallel trend lines.

This provides the historical side of the picture, and the main points gained in retracing past action are, first, the stock habitually resolved its longer term movement within parallel trend lines. Second, it was among the early birds in reversing the major trend.

It does not necessarily follow simply because the stock turned down prior to the major movement that it should be among the first to recover, but we have already had a penetration (B) on the upside of the long term bear market diagonal trend occurring in January 1938. The break-out was decisive and on the subsequent rally the stock was able to reach 43 on the one point chart to penetrate the previous high at 42.

During the whole period from October 1937 to date, the typical saucering out process can be noted, but in addition to this formation, other technical designs are in evidence, the most important of which is an inverted head and shoulders formation.

The head and shoulders formation is most effective when it occurs at major and intermediate reversal points and there is some evidence that Woolworth is in the process of reversing its bear market trend. The pattern commenced its development from an oversold market



condition (1) from which the market rallied and this point (1) constituted the left shoulder in the inverted formation. The rally to point (2) provided the left armpit and at this juncture supply overcame demand with a resultant decline. During the backing and filling in this decline the head position appeared with the lowest point in the head formation exceeding the low of the left shoulder at 34, point (3). This point was made on heavy liquidation to develop another over-sold market condition and on the subsequent rally to 43, point (4), a right armpit higher than the left developed. The pattern is considered more bullish with a higher right armpit. Then came the final decline to make the right shoulder at point (5) and the following rally to exceed both armpits made the pattern complete.

A measuring device is provided from a head and shoulders formation on the theory that the depth of the pattern from the average armpits to the top of the head, in this case the bottom of the inverted head, can be projected upward (dotted lines) to indicate the probable extent of a forthcoming movement. While this yardstick does not always prove to be accurate, it has in a majority of cases closely approximated the next intermediate movement in the stock. In this instance, the expectation of a move to the 50-51 level appears logical since the 50 level was the resistance point in August 1937, when the market as a whole tried to better the March 1937 highs.

Next in importance in technical phenomena, is the long term ascending triangle which has been in the process of formation since the first of the year. The action of the stock in forming this triangle has been similar, although more protracted, to that at the top in 1936 when a descending *(Please turn to page 310)*

For Profit and Income

Stocks Favored by Special Circumstances

A business depression of the severity of that through which we are now passing naturally has adverse effects upon the vast majority of companies. Owing to special considerations, however, there are always a handful which, if they suffer at all, are hit very much less than the average. The favored few may possibly be divided into two types. There are those whose business is exceptionally stable through both good times and bad. Such a company, for example, is Mead & Johnson, maker of baby foods. South Penn Oil, whose activities are confined to the lubricating oil field and which has a long record of stable earnings is another such. The second type of company favored during depression by special circumstances are those whose business, or part of whose business, is moving against the general trend. As an example of this type we have Technicolor, now being aided by improved process and the unmistakable drift towards motion pictures in color. Then there is Philip Morris whose remarkable gain in cigarette sales lifted net income for the fiscal year to March 31, last, to $10.91 a share of common stock.

Although in theory stocks favored by special circumstances would be desirable holdings during times of business recession and doubly desirable when business again turns up, it is to be doubted that matters work out this way in practice. This is because in the majority of instances it is unlikely that the special circumstances are materially bettered by business improvement. Hence, for participation in recovery it is suggested that the investor buy some standard issue in the field of heavy industry.

Standard Oil (New Jersey)

There were several interesting developments at the Standard Oil (New Jersey) annual meeting which was held the other day. In answer to a stockholder's inquiry the company's president hinted at the possibility of new financing some time this year. The amount contemplated appears to be between $60,000,000 and $80,000,000. Capital expenditures last year were in the neighborhood of $176,000,000 and it is expected that they will be more than $150,000,000 this year. The company appears to feel that its cash holdings are by no means excessive at the present time.

In connection with earnings it was the official estimate that profits in the first four months of 1938 would be some 21% under the corresponding period of last year. The official guess as to earnings for the full year 1938 was that they would be about a third less than in 1937. Last year Standard Oil (New Jersey) reported earnings equivalent to $5.64 a share on its common stock.

Proposed Plan for Erie's Reorganization

Institutional investors in the Erie Railroad have formulated a plan for the reorganization of the property—a plan which stresses the contract rights of mortgage holders. It is proposed (1) to leave the underlying mortgages undisturbed; (2) to exchange junior mortgages for income bonds and common stock; (3) to give the owners of the present common and preferred stocks warrants evidencing the right to buy common *from the junior bondholders;* (4) to raise new money from the R F C through the sale of new securities. The most interesting suggestion is No. 3 which, if carried out to any substantial extent, would have the effect of paying off the junior bondholders partly in cash. Now, it is quite evident that the owners of the preferred and common stock are not going to like this plan—any more than a man with a shoe-string equity (which has declined to none at all) in a house likes to be put out when the mortgagee forecloses. But this does not alter the fact that whatever the owners of Erie common and preferred may feel, they have in actuality no stake in the road under present conditions and the only fair way the stake of bye-gone days can be preserved is through putting up additional money. In connection with the first mortgage bonds, it is gratifying to see confirmation of this Department's opinion that there is no valid reason for disturbing the road's underlying issues.

American Planes for England

A spurt in American aircraft stocks followed the announcement

that the British Government had ordered 400 planes from manufacturers in this country. The order involves between $20,000,000 and $25,000,000. Apparently the Lockheed Aircraft Corp. will be the greatest beneficiary, for 200 of this company's model-14 transport planes adapted for reconnaissance purposes will be delivered. This one order exclusive of engines will involve more money than last year's total sales of $5,200,000. The balance of the British order went to North American Aviation and was for advanced trainers.

Developments in Companies Recently Discussed

J. C. Penney . . . Sales for May were 17.4 per cent under those of May, 1937. This probably was a somewhat greater decline than has been experienced by the average retailing business. Company reduced the regular quarterly dividend from $1 a share to 75 cents.

Columbia Gas & Electric . . . Hearings have been opened before the S E C on this company's petition to pay on August 15 the regular quarterly dividends on its preferred stocks. The company was permitted to pay the May dividends in previous proceedings, but was denied permission to pay not more than 50 cents a share on the common.

Pennsylvania Railroad . . . Announces a program involving $8,300,000 for the construction of 1,000 gondola cars, eight special-type cars and 20 electric passenger locomotives. Although the company will do much of the work in its own shops, it will mean a certain amount of business for the air brake companies and for either General Electric or Westinghouse.

Eastman Kodak—General Mills . . . Have formed a jointly-owned company, Distillation Products, Inc., which will produce vitamins by an entirely new process of molecular distillation. In charge of the new company will be an Eastman Kodak man, whereas distribution of the products will be effected through a General Mills subsidiary. While the new venture appears to be more closely related to foodstuffs than the camera supplies for which Eastman Kodak is famous, it does afford another example of the rapid growth of diversification in the latter's business.

United States Pipe & Foundry . . . Is likely to be among the companies directly helped by the Government's spending program and the encouragement being given municipalities to expand facilities. United States Pipe & Foundry is one of the largest makers in the country of cast iron pipe—largely used for gas and water mains.

Consolidated Edison of New York . . . This company, together with New York Steam, a subsidiary, is seeking permission to issue $32,000,000 in bonds with which to redeem all the latter's first mortgage obligations now bearing interest at 5 per cent. It appears likely that the new issue could be floated as 3¼s, with a material saving in interest charges.

Goodyear Tire & Rubber . . . President sees no immediate improvement for the tire industry, but expects the situation to better in September when 1939-model automobile production gets under way.

First National Stores . . . Reported for the 53 weeks to April 2, last, a net profit equivalent after preferred dividends to $3.14 a share on the outstanding common stock, against $4.24 a share in the previous 52 weeks. Although earnings were down in the latest fiscal year, they nevertheless covered the regular annual dividend of $2.50 a share with a fair margin to spare. Company operates in a territory where anti-chain-store agitation is at a minimum.

Marshall Field

By omitting the dividends on the preferred and prior preferred, Marshall Field again calls attention to the unsatisfactory condition of its manufacturing and wholesale divisions. Last year, the company's retailing activities resulted in a profit of $5,000,000, but the consolidated profit and loss account ended with "red" figures. For some time now Marshall Field has been in process of internal reorganization with a view to eliminating unprofitable divisions. Recent developments show how essential it was that there be changes. When the program is concluded —and it should be largely finished this year—stockholders will be in the gratifying position of having their equity rest to a greater extent on a retail outlet which has a long and profitable history.

Bond Observations

We are again running into that curious situation where very good bonds command a very high price, but where the high price of good bonds has little or no effect upon the price of lower grades. It can be put another way: the new financing on the part of Mountain States Telephone & Telegraph, United States Steel, Commonwealth Edison and others went over with a bang and at low coupon rates, but the general bond market as shown by representative averages, already low, actually went lower.

One can hardly criticize the investor who buys high grade bonds and even today there are individuals for whom they are suitable, but generally speaking if there were ever a time *not* to buy them it is now. To do so is to buy something at almost a record-breaking high price and, while it may go higher, it cannot go *much* higher. Secondly, the time to buy high grade bonds is when business is booming, not when it is flat on its back. Thirdly, one obtains a small dollar income from high grade bonds and the purchasing power of the small income is menaced by Government pump-priming and inflationary tactics generally. Fourthly, if one must have bonds, medium grades are relatively cheaper than high grades.

Selected Stocks for the Recovery Cycle

Issues of High Caliber Which Offer Opportunity of Substantial Gain as Business Improves

BY EDWIN A. BARNES

THE investor is faced by two diametrically opposed, although perfectly logical, courses at the present time. He may place his capital in sound bonds, preferred stocks, or even in common stocks of assured stability and return. Or, he may decide that the worst of this depression will be seen during the next few weeks and that even should stocks work somewhat lower there is hardly time for major decline before the effects of improving business will be felt. Those of the latter opinion will be looking around now for the type of issue which can be trusted to give a good account of itself as soon as the turn is made. Below will be found brief analyses of some half dozen stocks of the desired type. It is suggested that they be studied in conjunction with the article on the outlook for various industries starting on page 268 and that actual buying orders be made in accordance with our general market policy which is always clearly expressed in the first article of every issue of this publication.

International Nickel Co. of Canada, Ltd.

Price Range—1938 High	Low	Recent Price	Recent Dividend
52¾	36⅞	$43	50 cents

The constant development of new uses for nickel is probably the most important reason why the International Nickel Co. of Canada, Ltd., is so interesting a company to the long-term investor. There are other reasons, of course: it is considered advantageous that the company is a near-monopoly and has no price problem in connection with its principal product, that it has enormous proven reserves, that it is rich in cash and just as rich in commercial and scientific brains. But even so, the real attraction is the dynamic growth in the use of nickel. Twenty years ago nickel was hardly more than a munition of war, while today this source of demand is negligible compared with its peace-time uses.

Yet, growing though the applications for nickel may be in both good times and bad, this is not to say that the company remains unaffected by the ups and downs of the business cycle. Nickel enters into too many fundamental manufacturing processes for this to be true. For instance, the slump in automobile production in the United States this year has severely curtailed the demand from the company's major outlet. The decline in the production of machine tools, in the erection of new factories, decreased purchasing power which has cut buying of household appliances, have all had a similar effect.

Then, too, it is to be remembered that the mines of the International Nickel Co. are peculiar inasmuch as the production of nickel involves the production of various other metals, the most important of which is copper. Last year in order to sell 208 million pounds of nickel, the company was obliged to dispose of 292 million pounds of copper. Hence, the decline in the price of copper, which always occurs during business recession, also has an adverse effect on the company's earnings.

On the other hand, it is incorrect to discuss International Nickel solely with business conditions in the United States as a background. This country is the most important single outlet, but the company has an extremely important English organization and sales throughout the continent of Europe are always to be taken into consideration. It is because business outside the United States has held up relatively well that the company's earnings have not been more adversely affected. For the first quarter of this year International Nickel reported profits equivalent to 66 cents a share on the outstanding common stock, against 77 cents a share for the first three months of 1937. Despite the decline in earnings there has as yet been no reduction in the regular quarterly dividend of 50 cents a share. While one can hardly forecast the uninterrupted continuance of this payment without more assurance as to a pick-up in American business, one may be sure that the International Nickel Co. of Canada, Ltd., will be in the forefront of any recovery when it does make its appearance.

National Lead Co.

Price Range—1938			
High	Low	Recent Price	Recent Dividend
$29\frac{3}{4}$	$17\frac{1}{8}$	$19	$12\frac{1}{2}$ cents

The prosperity of few companies is more closely geared to general business than that of the National Lead Co. While the company purchases by far the greater part of its raw materials, it is a fabricator of almost everything of which lead is the principal ingredient and a good many other things which are complementary to its lead products. Output includes painters' materials of many kinds and these are sold under the trade-name, "Dutch Boy." The company is connected with construction through its paint line and its output of plumbers' materials; it has a stake in printing through type-metals, a stake in automobiles and other machinery through bearing metals, and a stake in food through canners' solders and other materials.

That the National Lead Co. is extremely quick to reflect the state of business in general can be seen in last year's record. For the first six months the company reported a net profit of $5,192,266, equivalent, after preferred dividend requirements, to $1.36 a share on the outstanding common stock, excluding stock held in the company's own treasury. For the full year, however, the company reported a net profit of only $4,886,951, or the equivalent of 94 cents a share of common. The actual loss indicated for the final six months of 1937 was partly brought about by a sharply declining sales volume and partly by the decline in the price of inventory metal which necessitated large year-end write-downs.

It does not follow necessarily, however, that because business has deteriorated further in 1938 that the report which will be made soon as of the end of this month will reveal another loss. While a great deal will depend on the handling of inventories and what economies the company has managed to effect during the past six months, it will be surprising if the company fails to report a moderate profit for the first six months of the present year.

Although stockholders of the National Lead Co. naturally will remain uneasy until there are more definite signs of business improvement in the United States, it is at least a satisfaction for them to know that their company is on record as being prepared to maintain the regular dividend of $12\frac{1}{2}$ cents quarterly unless the payment should actually endanger the enterprise. As a stake in ultimate recovery, National Lead common is hard to equal.

Bethlehem Steel Corp.

Price Range—1938			
High	Low	Recent Price	Recent Dividend
$65\frac{7}{8}$	$39\frac{3}{4}$	$44	None

It was a matter of general surprise that the Bethlehem Steel Corp. managed to report "black" figures for the first quarter on an operating rate that averaged less than 35 per cent. Knowledge of greatly increased wages, higher taxes and costs generally were the reasons for believing that the company would have to operate in the neighborhood of 50 per cent of capacity before a profit could be shown. While the earnings of less than $1,000,000 in the first three months of 1938 (equivalent to a few cents a share on the two preferreds) were small, they certainly revealed a gratifying and unexpected efficiency.

More recently, of course, there has been a further deterioration of the business structure and it is virtually certain that Bethlehem's income account has swung from "black" to "red" figures. Nor, to be perfectly frank, is there any reasonable expectation of material improvement for this company before the fall. While it is not believed now that the automobile industry will close down completely for the summer, as was once thought, operations are scheduled on a greatly reduced scale with a view to eking out as far as possible what business there is likely to be. The railroads, with traffic volume what it is and involved in a controversy with labor and politicians over wage rates, are certainly not likely to be in the market for any important steel tonnage over the near future. This leaves shipbuilding, including the rearmament program, public works, tinplate and miscellaneous sources of demand to carry the whole load. This list sounds more impressive than it actually is, for the steel industry can make no progress without automobile and railroad buying and buying for private construction.

In the face of this, it is quite clear that steel securities, specifically the stock of the Bethlehem Steel Corp., cannot be recommended on the basis of near-term prospects. On the other hand, during the early part of last year when steel operations were 80 per cent and 90 per cent of capacity, not one person in a hundred saw a cloud in the sky and the common stock of Bethlehem Steel appeared to be selling at a reasonable figure above $100 a share. Yet, wherever the stock should sell during the next month or two, clearly it is better to buy it at $44 a share than to have bought it eighteen months ago at $100.

Caterpillar Tractor Co.

Price Range—1938			
High	Low	Recent Price	Recent Dividend
$55\frac{1}{2}$	$29\frac{5}{8}$	$40	50 cents

For April, last, the Caterpillar Tractor Co. reported a net profit of $438,714, after depreciation, interest and Federal income taxes, compared with a net profit of $1,207,665 for the corresponding previous month. For the four months to April, last, the net profit was $1,246,621, equivalent, after preferred dividend requirements, to 56 cents a share on the outstanding common stock. For the first four months of 1937 the net profit was equivalent to $2.06 a share on common after preferred dividend requirements.

It is quite apparent from the foregoing that the depression has adversely affected the demand for the company's diesel engines, its tractors and the miscellaneous equipment which is manufactured for use with the latter. A further contraction in the demand for Caterpillar products over coming months on the part of private enterprise is likely. On the other hand, the company has an important customer in the Government

and however much one may disapprove in principle of W P A and other pump-priming expenditures, it's an ill wind that blows no good and for the Caterpillar Tractor Co. they are likely to prove a bolstering influence.

Considering the nature of the business, this particular company has a relatively good record during depression—probably because the demand for heavy tractor equipment is of a dynamically expanding nature. This is of great assurance to prospective stockholders looking to the more distant future. Also reassuring is the company's capital and financial structure. At the end of April, last, current assets totaled $33,281,274, including cash of $2,800,000, while current liabilities aggregated $4,600,000. There is no funded debt, the only capital liability ahead of 1,882,240 shares of common stock being 115,152 shares of 5 per cent preferred stock of $100 par value.

United States Gypsum Co.

Price Range—1938

High	Low	Recent Price	Recent Dividend
78	55	$68	50 cents

Attributed by the company mainly to the fact that the volume of residential contracts awarded during the first three months of the present year were about one-third lower than in the corresponding previous period, the United States Gypsum Co. reported a net profit of only $688,348 after depreciation, depletion, taxes and other charges for the first quarter of 1938. This, after dividend requirements on the 7 per cent preferred stock, was equivalent to 46 cents a share on the outstanding common, against $1.06 per share of common in the first quarter of 1937.

The United States Gypsum Co. is a manufacturer of gypsum board, plasters and stuccos. It makes calcimines, shingles and roofing and is one of the largest factors in metal lath in the country. These materials are used for ceilings, partitions and floors and naturally their maker's prosperity hinges largely on construction activities—especially residential construction—and upon remodeling and repairs. While it is true as the company says that the first three months of this year made a poor showing compared with the first three months of last, the industry, judged by contracts awarded, is behaving erratically. It appears that May, 1938, may well make a favorable comparison with May, 1937. Moreover, there are grounds for substantial hope in the steady increase in the amount of mortgages which the Federal Housing Administration is selecting for appraisal. Later, a large proportion of these mortgages selected for appraisal will be translated into contracts awarded and from here into actual construction.

When the upturn in building comes the United States Gypsum Co. is sure to be an important beneficiary. In its field the company is exceedingly well-entrenched, is strong financially and the management is considered exceptionally able. The strong financial position should enable the company to weather any further period of stress and to take full advantage of the improvement when it arrives. This, and the fact that there is no funded debt of any kind, is also a source of assurance that a dividend on the common will be maintained. The latest quarterly payment was 50 cents and, assuming its continuance, it would mean $2 a share for the year, or a yield of about 3 per cent at the stock's present price of $68 a share. Although such a return would not be high, it is to be remembered that we are in a period of extremely easy money and that here, in contrast to a fixed-income security, there are at least possibilities of obtaining more in the not-too-distant future.

American Cyanamid Co.

Price Range—1938
"B"

High	Low	Recent Price	Recent Dividend
26⅝	15½	$17	15 cents

The American Cyanamid Co. is among those organizations which have outgrown their names and even today the ill-informed are apt to think of it as primarily a fertilizer company. But, while this was true once, it is anything but true at the present time. The company has both evolved and expanded. It evolved, for example, from ammonium phosphate, a fertilizer, into synthetic gypsum and obtained an important stake in the building trades. Cyanamid was made to yield cyanide used for mineral flotation and cyanidation processes. Other cyanides are employed as insecticides and by the metal trades. American Cyanamid expanded when it acquired patents for the production of "Beetle" plastics: it expanded when it acquired the Calco Chemical Co., a specialist in coal-tar intermediates, dyestuffs and other organic and heavy chemicals: and it expanded when it acquired the business of Lederle Laboratories which produce serums, antitoxins, vaccines and other pharmaceutical materials.

How American Cyanamid's business has changed may be appreciated from the following: in 1910 fertilizer materials accounted for 100 per cent of all sales, in 1916 they accounted for 89 per cent, in 1926 they had dropped to 48 per cent, while by 1936 there had been a further decline to 10 per cent of total sales.

As is the case with any well-rounded chemical company, the products turned out by American Cyanamid are so varied and enter into so many different lines of manufacture that there is no possibility of escaping adverse effects from a business slump as serious as the one we are currently experiencing. Although the company earned the equivalent of $2.09 a share of common last year, against $1.77 a share in 1936, it began to feel the slump in the final quarter. The effects in the first three months of 1938 were more drastic, for the company reported earnings of only 3 cents a share of common, whereas in the March quarter, 1937, the equivalent of 54 cents a share of common was reported.

Yet, if American Cyanamid has been hit by the decline in general business, it will be equally quick to feel improvement. But more important than this is that the company operates in new and expanding fields which can be counted on to develop independently of the business cycle. Hence, while the depression lasts the company is among those certain to do better than business as a whole and to enjoy more than normal betterment in sales' volume and earnings with a gain in prosperity for the country at large.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Ludlum Steel Co.

I have a hundred shares of Ludlum Steel which cost me 27, and wonder what you would recommend in view of the recent proposal to merge with Allegheny Steel Co.—K J., San Francisco.

Probably the most important development to evolve from the proposed merger of Ludlum Steel Co. with Allegheny Steel Co. will be the large economies which both companies will be able to effect. At present, each company is now in need of additional facilities which the other can supply. The combined companies will have sufficient equipment for carrying on operations without additional investment and will be more nearly self-contained because of the complemented facilities. On August 10, 1938, special meetings of stockholders in both companies will be called to approve the combination. Currently, the operations of Ludlum are not as satisfactory as they were a year earlier. For the three months ended March 31, 1938, a deficit of 14 cents per common share was registered. This compares with earnings of 79 cents per share sustained during the initial quarter of 1937. In our estimation, however, the proposed merger will be of definite benefit to the company. The statement by the president of Ludlum and of Allegheny in a joint announcement stated that "no two companies in the industry so completely represent, with scarcely any duplication of importance, the complete range of alloy steel products as do Allegheny and Ludlum." It can readily be seen that when the new company is in operation that the combination should enhance future profits considerably. Currently, Ludlum represents one of the more interesting situations in the industry and should prove profitable to the stockholder over the longer term. A strong working capital position has enabled the company to produce and market new developments which have aided past sales and will be instrumental in bringing about a revival in future profits. The company has always sought to diversify its products and we currently find that the building industry is growing in importance as one of the takers of the company's products. Any betterment in that business, therefore, should be of definite aid to operations. Taking everything into consideration, we can look upon the shares of Ludlum Steel in an optimistic light and recommend full retention of your holdings as a suitable representation in the steel industry.

Texas Gulf Sulphur

What are the prospects for further early improvement in Texas Gulf Sulphur. While I am somewhat dependent on it for income, it is still far below the price of 41 which I paid for it.—B. N., Philadelphia, Pa.

On the basis of current quotations in relation to the annual dividend rate, the shares of Texas Gulf Sulphur Co. afford the stockholder with a yield of 7%. Already this year, $1 has been paid in dividends on the shares and indications are that the remaining $1 will be easily met. Reason for this belief is due to the well sustained sales maintained so far in 1938 and the strong financial position of the company. For the quarter ended March 31, 1938, per share earnings amounted to 48 cents per share, against 55 cents per share during the like quarter of 1937. We further believe that this rate of profits will be maintained and that half yearly reports will compare favorably with those of the initial half of 1937. The decline in domestic volume has been largely offset by satisfactory takings from abroad. As of March 31, 1938, current assets of the company amounted to $13,368,409, including cash and U. S. Treasury notes of $11,449,292 against current liabili-

When *Quick* Service Is Required, Send Us a Telegram Prepaid and Instruct Us to Answer Collect.

ties of only $2,437,407. When the financial factors are considered, it seems quite obvious that Texas Gulf can continue to maintain the high dividend rate which has been characteristic of the company over a long period of years. Naturally, there are industrial factors which tend to cloud the future outlook of the company somewhat. Among these are low level of steel activity, uncertain prospects for chemical processers, reduced demand in the fertilizer field and the prospective curtailment in rayon and textile output. Frankly, we do not believe, however, that these contingencies are sufficiently detrimental to justify liquidation of your holdings. Under the above circumstances, we counsel full retention of your holdings both on an income basis over the longer term and as a profit speculation in the industry over the near term.

Gimbel Bros., Inc.

We hear much in the West of increasing taxation in New York City. Does this cut down the volume of retail sales, as in some other localities? I am interested in knowing what is best in connection with 150 shares of Gimbel Bros. bought at 22⅛. Should I sell part of this amount, and hold the rest?—E. J., Portland, Oregon.

The 12% decrease in sales during the first two months of the current fiscal year of Gimbel Bros. is not so much due to higher costs and taxes as to drastic curtailment of consumer purchasing power. This decrease in purchasing power made itself apparent during the closing months of the past fiscal year and as a result earnings on the common stock decreased to $1.35 per share from $2.37 per share earned for the fiscal year ended January 31, 1937. Of course, taxes levied by New York City have had their effect upon operations of the company. This is not too noticeable, however, due to the fact that Gimbel enjoys a strong trade position in this area and benefits from the sale of well known and established products. However, as long as industrial activity and consumer purchasing power remain restricted, we are inclined to take a neutral attitude toward the company's common shares. As you well know, no dividends have ever been paid on the common issue, although disbursements on the preferred issue have been relatively satisfactory. We hesitate to advise the liquidation of your shares or any part of them due to our lack of information as to how your commitment in this issue compares proportionately to your other holdings. Furthermore, despite the obvious uncertainties which currently exist in the near term situation, we can reasonably expect that the stock will participate satisfactorily in any recovery of the general market. As the organization is well entrenched as a merchandiser in the metropolitan area, prospects for the longer term would seem to indicate that the best course to follow would be to retain your speculative commitment for possible price appreciation.

U. S. Hoffman Machinery Corp.

Considering the number of cleaning establishments that have recently closed in this section, would you counsel my holding any longer 100 shares of U. S. Hoffman bought in 1937 at 20½?—G. M., New York, N. Y.

In a business recession of the proportion which we have been experiencing during the past few months, U. S. Hoffman Machinery Corp. stands to lose a considerable amount of business. While diversification has progressed, pressing machines still represent 60% of total sales, while dry cleaning, vacuum, laundry and similar machines make up the remaining 40% of the total. Inability of small pressing establishments and laundries to stay in business, therefore, decreases the sales of this company substantially. This fact is obvious when the latest income account is consulted. For the quarter ended March 31, 1938, a net deficit of $15,925 or 16 cents per common share was registered. This is compared with a net income of $181,049 or 74 cents per common share during the initial quarter of 1937. On the other hand, it must be pointed out, that as soon as a revival in business picture takes place, Hoffman could very easily show a complete reversal in operations. This has been characteristic of the company over a period of years and we see that in 1933 a large deficit was reported, and then in 1936 when consumer purchasing power began to increase an income of $1.92 per share was recorded. During the intervening years, small profits were registered but growth of earnings reflected the better business which began late in 1935 and early 1936. At the close of the first quarter Hoffman reported a strong financial position, total current assets being compared to total current liabilities at the ratio of approximately three to one. No dividends have been paid on the common issue since 1930. The company engages in a highly specialized field and, under existing and near term conditions, the possibility of an early turn for the better in the trend of earnings is not particularly promising. At present deflated levels, however, we frankly believe that the shares have discounted the majority of adverse factors prevalent in the situation. If you are willing, therefore, to continue to exercise patience, we can recommend retention of your holdings on a price speculation basis.

North American Aviation Co.

The news has been so uniformly bullish on North American Aviation for a number of months that I wonder if its future prospects, too, have been mostly anticipated in its present price. Do you still consider it a good buy at 8½ or 9?—P. V., Hartford, Conn.

North American Aviation, as is the case of most companies situated in the aviation industry, has a tremendous backlog of unfilled orders. Latest reports show that unfilled orders amounted to over $11,000,000. As manufacturing facilities increase and more concentration is placed upon this division, these orders should expand further. It may be pointed out that North American can turn out approximately forty ships a month at its Inglewood, Calif., plant alone. This certainly augurs well for the future operations of the company. The recent sale of Eastern Air Lines has deprived the company of income from that source, but has at the same time, allowed an increase in the manufacturing division, a division where the larger profits are realized. The sale of this subsidiary has also increased the financial position of the enterprise. While this should allow a small disbursement in the way of dividends during the latter part of the current term, we are not overly optimistic about the common being placed upon a regular dividend rate. This will depend upon future earnings of the company and also as to how much they will spend upon develop-

ing their manufacturing division. It is interesting to note, that North American Aviation is primarily interested in designing planes used by the Army and Navy Air Corps. of the United States Government. Thus, the recently announced intention of increasing both of these branches of the service is a definite boon to the company. Furthermore, the huge development costs which were previously characteristic of the aviation companies have been substantially lowered, thus allowing larger profit margins on work produced. The present depressed prices of the shares of North American Aviation, in our estimation, do not represent the true worth of the shares. As a stake in the aviation industry, therefore, the issue should afford a good speculative vehicle.

Chicago Yellow Cab Co., Inc.

I have been told that the cab business is normally best in the last three months of the year. Would you recommend holding 50 shares of Chicago Yellow Cab which I purchased last year at 15, or take the loss now, and switch?—T. K., Chicago, Ill.

Earnings of Chicago Yellow Cab Co. last year registered a sharp decline from 1936 levels. For the year ended December 31, 1937, a profit of only 25 cents per share was shown against earnings of $2.01 per share in 1936. This drop in profits may be attributed to not only the adverse labor difficulties in the first half-year operations, but also to a decrease in passengers carried. It is obvious that in periods of depression such as we have been experiencing for some time that passengers will turn from using taxies to other means of cheaper transportation, such as buses, trolleys and subways. While the 5 cent increase on the first third of a mile will undoubtedly tend to offset this somewhat, we do not believe it will be sufficient enough to justify the expectation of earnings during 1938, comparable to those previously reported. That the company is operating on a more favorable basis is evidenced in the initial quarter report for 1938. For that interval earnings of 4 cents per share were registered, against a deficit of 32 cents per share sustained during the first three months of 1937. The situation is rendered additionally favorable by the strong financial position enjoyed by the company, total current assets being at the year-end $2,237,732 against total current liabilities of only $321,-291. The company is very simply capitalized, having only 300,000 no par shares outstanding with no funded debt or obligations of any sort. No labor uncertainties currently cloud the outlook for the company, but profits will undoubtedly be retarded until some reversal in the general business picture is registered. Therefore, while we believe that any betterment in the shares is of definitely long range calibre on this basis retention would appear warranted.

Bucyrus Erie Co.

In contemplation of absence from the country during the entire summer, would you recommend disposing of my holdings of Bucyrus Erie acquired at 17⅝? Earnings are still off heavily, so I am told. I wonder if this stock may not lose further ground as orders carried over from last year must be pretty well completed and shipped.—F. A., Detroit, Mich.

The manufacturing rate of Bucyrus Erie Co. has fallen off sharply and is currently averaging between 50 and 60% of the rate in effect last year. As the company does not publish quarterly reports (only semi-annual ones), it is impossible to estimate the extent that earnings have fallen off. However, we do not believe that first half year earnings of the company will be much below those of 1937 as during the past year sharp losses were incurred due to labor troubles, which have not been prevalent so far this year. However, decreases in purchasing power of the "heavy industries" will continue to retard earnings growth. Prices for the type of machinery Bucyrus manufactures have been reasonably stable, but there is an increasing growth toward reduction of prices in order to stimulate demand. Even in face of the higher taxes, costs and decreased prices, however, we are inclined to believe that first half-yearly report of 1938 will compare favorably with those of 1937. On the other hand, full 1938 earnings will probably be below the $1.20 per common share recorded during 1937. It is interesting to note here that the earnings last year were the largest for any year since 1930. During 1936 profits amounted to only 72 cents per share and in the four previous years deficits were incurred. There are now outstanding only 68,300 shares of 7% preferred stock ahead of the 1,256,968 shares of common stock. Financial condition of the company is also satisfactory, which should allow it to comfortably weather the period of lower earnings now indicated. If the renewal of road building, harbor dredging and levee work by the Federal Government reaches expected proportions, profits should be reasonably favorable over the longer term. At this writing, it does not appear, however, that there will be much of a pickup in the industries served by the company, for some time ahead. In our belief, however, the common stock is quoted at levels which apparently largely discount the adverse factors in the situation and we are inclined to suggest maintenance of your position in the stock over the longer term.

Curtiss-Wright Corp.

Do you consider Curtiss Wright a buy at current prices? What are its profit possibilities? Several other aviation securities seem to be making greater market progress. I will appreciate your advice.—M. T., Cleveland, Ohio.

Restricted market activity of the Curtiss-Wright common may be attributed to the burdensome capital structure which the company operates under. As of March 31, 1938, there were outstanding 1,158,464 shares of $2 non-cumulative Class "A" stock of $1 par and 7,429,006 shares of common $1 par stock. This naturally tends to restrict the common shares in the matter of price appreciation. Nevertheless, when all the factors concerning this company are weighed, we frankly believe that the issue makes attractive medium for inclusion in a longer term portfolio. During the initial quarter of 1938 net income of the company was the highest for any three months in its history. For that interval, net profit of $733,910 or 2 cents per common share was recorded, as compared to a deficit of 4 cents per common share a year earlier. On March 4, Curtiss-Wright reported unfilled orders on its books of about $29,500,000, a figure nearly $12,000,000 greater than unfilled orders on March 12, 1937 and $5,-400,000 greater than total sales for all of 1937. This company's main strength lies in its ability to turn out

(Please turn to page 312)

Prepare NOW to Profit in . . .

NEW MARKET LEADERS

What Our Subscribers Say

H. L. H., of Peru—
"I would like to mention that you can count me as a permanent subscriber to your service. I would suggest you advise me, say one month before my subscription lapses, in order not to miss the advantages of your service."

C. J. H., of Connecticut—
"You have steered me straight several times, and I appreciate it."

Mrs. M. F. S., of Ohio—
"I want to congratulate you on your Weekly Bulletins and to tell you that I look forward to receiving them."

A. W., of New York—
"We are very much pleased with your service."

O. B. M., of Washington—
"Enclosed please find check to cover my renewal subscription. The advice and care you are giving is quite satisfactory."

H. S. T., of Florida—
"Your Weekly Bulletins will undoubtedly prove of value in my stock operations."

H. C. J., of Connecticut—
"Your service is tip-top of its kind. You told me in November not to buy stocks with the $4,000 cash that I had and wanted to use this spring. I did that; thank you."

B. H., of Michigan—
"Thanks for your service. I'm very glad to say that I am a satisfied subscriber. You provide just the kind of service I have been looking for. I like it because I'm not in a position to watch the market, due to the fact that I'm too busy."

THE current depression is creating an outstanding market opportunity . . . the greatest in over three years. And the upturn will come in the midst of extreme dullness . . . while business is still far below normal.

THE FORECAST can counsel you in preparing for and participating in this profit-making period. During similar phases in the Summer of 1932 . . . in the Spring of 1933 . . . and in the Spring of 1935 . . . substantial profits were obtainable through our short-term and longer term recommendations.

Out of situations like the present, FORECAST advices have brought highly profitable results. Over the past 40 years, between now and Labor Day, security averages have advanced about 7 times out of 10 and rarely has there been today's indication that the anticipated upturn will be prolonged. It should be maintained to Election Day on November 8th, through the Administration's lending-spending program, and be buoyed up after that date with the advent of a more conservative Congress.

Profits on FORECAST *Advices*

Last Friday, profits were taken on Douglas Aircraft and U. S. Rubber . . . carried only two weeks. Profits are also shown on the remaining stocks in our short-term market programs . . . Trading Advices, Bargain Indicator and Unusual Opportunities. Of course, our subscribers have the assurance of knowing they will be advised when to buy and when to sell . . . when to contract or expand their position.

The coming weeks will probably represent the last opportunity this year to buy stocks at bargain levels which will bring quick and substantial profits. With Congress adjourned . . . poor second quarter reports out of the way . . . normal seasonal upturn stimulated by Government spending . . . the plethora of investment capital available . . . today's thin markets are likely to bring sensational rebounds in selected stocks.

Such buying opportunities as uncovered by our analysts will be definitely recommended to you. To profit through these advices as decided upon, mail the coupon below . . . today.

Low and moderate priced stocks will predominate in our recommendations over the coming months . . . to have you secure substantial profits with a minimum of capital or equity.

Free Air Mail Service

☐ Check here if you wish Air Mail and it will expedite delivery of our weekly and special bulletins. This service is provided FREE in such cases in United States and Canada.

●

We serve only in an advisory capacity, handle no funds or securities and have no financial interest in any issue or brokerage house. Our sole objective is the growth of your capital and income through counsel to minimize losses and secure profits.

FREE SERVICE to AUGUST 1, 1938

THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street

90 BROAD STREET Cable Address: Tickerpub NEW YORK, N. Y.

I enclose $75 to cover my six months' test subscription to The Investment and Business Forecast with service starting at once but dating from August 1, 1938. I understand that regardless of the telegrams I select I will receive the complete service by mail. ($125 will cover an entire year's subscription.)

Send me collect telegrams on all recommendations checked below. (Wires will be transmitted in our Private Code after our Code Book has had time to reach you.)

☐ **TRADING ADVICES** — **Active Common Stocks for Short Term Profit. Two or three wires a month. Three to five stocks carried. $2,000 capital sufficient to act in 10 shares of all recommendations, on outright basis.**

☐ **UNUSUAL OPPORTUNITIES** — **Low-priced Common Stocks for Market Appreciation. Two or three wires a month. Three to five stocks carried. $1,000 capital sufficient to buy 10 shares of all advices, on outright basis.**

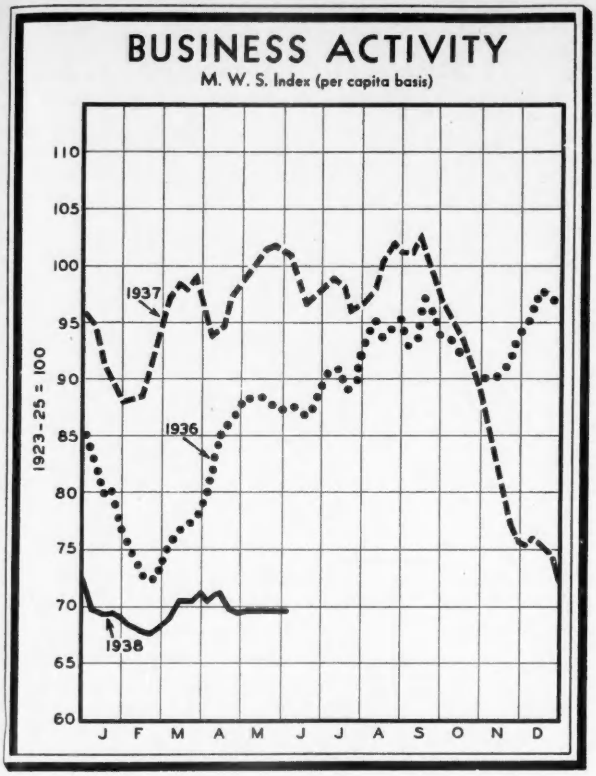
☐ **BARGAIN INDICATOR** — **Dividend-paying Common Stocks for Profit and Income. One or two wires a month. Three to five stocks carried. $2,000 capital sufficient to buy 10 shares of all advices, on outright basis.**

Name .... Capital or Equity ....

Address ....

City .... State 6-18

Include a List of Your Present Holdings for Our Analysis and Recommendations



HIGHLIGHTS

INDUSTRY—Moderate recovery from mid-summer—meanhwile slow.

TRADE—Wholesale and retail sales now under last year; but will be helped by pump priming.

COMMODITIES—Raw material price decline checked by adverse crop reports and curtailment in copper, tin and rubber.

MONEY AND CREDIT—Revival in capital market encouraging; but commercial credit contracting.

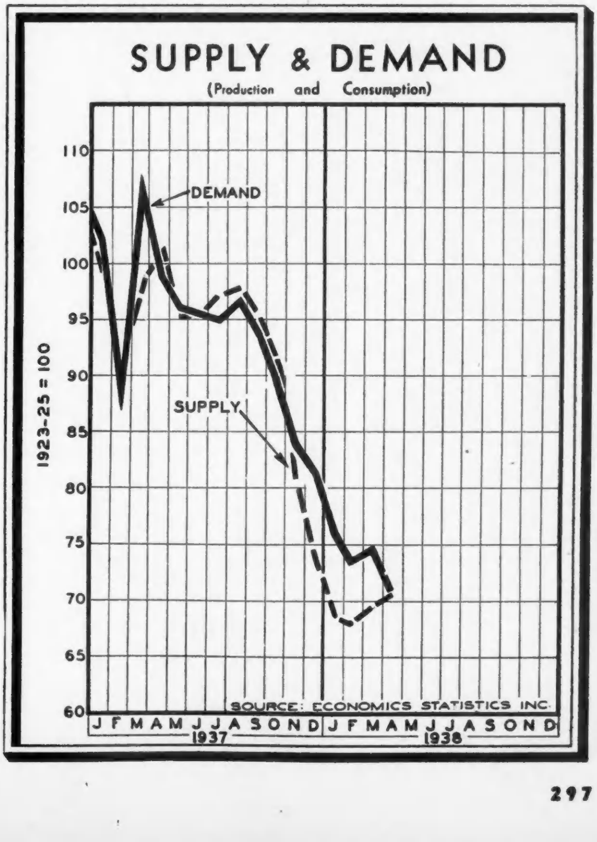
The Business Analyst

After stabilizing for four weeks at a level 1½ points above the depression low, per capita **Business Activity** has contracted only moderately despite rather extensive plant shut-downs over Memorial Day. As computed by our Index of Business Activity, the per capita volume of **National Income** produced during May amounted to 69.2% of the 1923-5 average, a decrease of one point (1.4%) from April, and 31% below May of 1937. At present writing, the stock market is striving to discount in some measure an anticipated pick-up in business later on; but the nearer term outlook points to further slackening in production during June and at least the earlier part of July.

* * *

The Department of Commerce estimates that people in the United States received, during the month of April, an aggregate cash income **(National Income Paid Out)** of $5,190,000,000, an average of $180 per family or $40 per capita. This was 9% less than for the like period a year earlier, compared with a four-month recession of only 6.2%. The two groups which thus far have been hardest hit by the depression are the recipients of Dividends, which in May amounted to 30% less than last year, and workers in manufacturing, mining and construction, where April **Payrolls** were 25%

(Please turn to next page)



Business and Industry

	Date	Latest Month	Previous Month	Last Year
INDUSTRIAL PRODUCTION (b)				
World	Mar.	93.8	94.4	110.3
U. S. A. (ba)	Apr.	78	79	118
Canada	Mar.	92.4	90.6	103.9
United Kingdom	Mar.	115.6	117.2	118.3
France	Mar.	74.0	75.6	81.9
Germany	Mar.	127.0	129.0	115.6
WHOLESALE PRICES (h)	Apr.	78.7	79.7	88.0
COST OF LIVING (d)				
All Items	Apr.	86.8	86.7	88.3
Food	Apr.	81.1	80.3	87.4
Housing	Apr.	87.2	87.5	85.2
Clothing	Apr.	75.1	75.5	76.2
Fuel and Light	Apr.	85.7	86.2	85.0
Sundries	Apr.	97.6	97.8	96.6
Purchasing value of dollar	Apr.	115.2	115.3	113.3
NATIONAL INCOME (cm)†	Apr.	$5,186	$5,168	$5,707
CASH FARM INCOME†				
Farm Marketing	Apr.	489	512	583
Including Gov't Payments	Apr.	549	572	646
Total, First 4 Months	1938	2,227	......	2,588
Prices Received by Farmers (ee)	May	92	94	128
Prices Paid by Farmers (ee)	Apr.	125	125	134
Ratio: Prices Received to Prices Paid (ee)	Apr.	75	77	97
FACTORY EMPLOYMENT (f)				
Durable Goods	Apr.	70.1	72.4	98.6
Non-durable Goods	Apr.	89.8	91.7	105.9
FACTORY PAYROLLS (f) (not adjusted)	Apr.	70.5	73.3	104.9
RETAIL TRADE				
Department Store Sales (f)	May	79	83	93
Chain Store Sales (g)	May	103.3	105.0	112.0
Variety Store Sales (g)	May	106.1	108.6	117.0
Mail Order Sales†	May	$78.6	$77.2	$89.0
Retail Prices (s) as of	May 1	90.2	90.6	95.2
FOREIGN TRADE				
Merchandise Imports†	Apr.	$159.9	$173.4	$286.8
Cumulative year's total†	Apr. 30	667.0	......	1,112.5
Exports†	Apr.	274.5	275.7	268.9
Cumulative year's total†	Apr. 30	1,102.3	......	981.3
RAILROAD EARNINGS				
Total Operating Revenues*	1st 4 ms.	$1,081,603	......	$1,382,679
Total Oper. Expenditures*	1st 4 ms.	896,657	......	1,025,823
Taxes*	1st 4 ms.	112,797	......	117,769
Net Rwy. Operating Income*	1st 4 ms.	28,792	......	195,873
Operating Ratio %	1st 4 ms.	82.90	......	74.19
Rate of Return %	1st 4 ms.	0.44	......	3.01
BUILDING Contract Awards (k)				
Total†	May	$283.2	$222.0	$244.1
Residential†	May	83.2	74.6	83.9
Public Works and Utility†	May	122.2	67.0	66.7
Non-Residential†	May	77.8	80.4	93.5
Publicly Financed†	May	143.6	99.0	92.5
Privately Financed†	May	139.6	123.0	151.5
Building Permits (c)				
214 Cities†	Apr.	$63.7	$68.6	$79.1
New York City†	May	14.0	16.2	19.3
Total, U. S.†	May	77.7	84.8	98.4
Engineering Contracts (En)†	Apr.	$193.4	$255.0	$217.0
CONSTRUCTION COST INDEX (En) 1913—100	May 1	236.80	237.95	233.45

PRESENT POSITION AND OUTLOOK

(Continued from page 297)

below the like month of 1937. Transportation and Utility payrolls were only 9% smaller than a year earlier. People on Government payrolls, workers in the field of trade and finance, proprietors of unincorporated lines of endeavor, and those whose incomes are derived from the receipt of interest, rents and royalties, still have about as much to spend as a year ago.

* * *

Owing largely to damage reports in the wheat area and recent drastic curtailment in the production of such important world staples as copper, tin and rubber, **raw material prices** are displaying a somewhat firmer tone; though our Index shows that the average is still about 30% below last year. **Wholesale prices** are 11% below last year, **farm prices** are down 30%; but **retail prices** (which will probably continue to sag for some months) are off only 5.2%.

* * *

Wholesale trade during April was 18.5% below last year, with inventories at the end of that month (valued at prices lower than a year earlier) were down only 12%. **Department store sales** throughout the country for week ended May 28 were 19% lower than for the corresponding week of 1937, compared with a decline of only 15% for four weeks. Merchandise **exports** during April exceeded the same month of 1937 by only 2%, against a four-months' gain of 12%. April **imports** were off 44%, against 40% for four months. Excess exports for four months came to $435,000,000, compared with an excess of $131,000,000 in imports over exports for the like period of 1937.

* * *

Railroad gross operating revenues during April were 25% below the like month of 1937, compared with four-months' decline of only 22%. April N. O. I. dropped 81%, against a four-months' slump of 85%. For the first four months, 61 Class I carriers failed to earn expenses and taxes. **Car loadings** are currently running about 30% below last year; but a number of railway executives, particularly among the grangers, have recently expressed the belief that traffic has about touched bottom and will presently begin to pick up moderately.

* * *

Among the several accredited **construction** indexes, mortgages selected by the FHA for appraisal continue to afford the most encouragement. During May these reached a new peak at $100,000,000, of which about 57% represents houses to be built. The May total was 38% above last year. Engineering construction awards during the week ended June 2 were 18% higher than for the like week of 1937, making a cumulative gain of 7% since the first of the year. On the other hand, **building permits** for May were 21% below last year in estimated cost, against a five-months' decrease of only 10.4%. **Building material prices** at wholesale are now 6.3% lower than a year ago.

	Date	Latest Month	Previous Month	Last Year
STEEL				
Ingot Production in tons★	May	1,807	1,925	5,152
Pig Iron Production in tons★	May	1,255	1,376	3,537
Shipments, U. S. Steel in tons★	May	465	502	1,304
AUTOMOBILES				
Production				
Factory Output	May	210,000(pl)	238,133	540,377
Total 1st 4 Mos.	1938	907,502	......	1,855,339
Retail Sales				
Passenger Cars, U. S. (p)	Apr.	195,000	181,000	384,951
Trucks, U. S. (p)	Apr.	37,000	37,000	67,832
PAPER (Newsprint)				
Production, U. S. & Canada★ (tons)	May	275.7	259.6	388.2
Shipments, U. S. & Canada★ (tons)	May	259.5	271.5	389.7
Stocks, U. S. & Canada★ (tons)	May 31	218.8	202.6	82.0
INVENTORIES (f)				
Manufactured Goods	Apr.	122	122	107
Raw Materials	Apr.	166	174	98
Dept. Store Stocks	Apr.	68	69	76
GENERAL				
Machine Tool Orders (f)	Apr.	90.3	107.0	282.5
Railway Equipment Orders (Ry)				
Locomotive	May	5	3	14
Freight Cars	May	6,114	3	3,903
Passenger Cars	May	55	1	8
Cigarette Production†	Apr.	12,527	13,728	12,210
Bituminous Coal Production★ (tons)	May	21,995(pl)	22,195	30,077
Boot and Shoe Production Prs.★	Apr.	32,859	37,060	40,298
Portland Cement Shipments★	Apr.	8,678	7,259	10,270
COMMERCIAL FAILURES (c)	May	1,053	1,116	834

PRESENT POSITION AND OUTLOOK

Automobile production was curtailed sharply over Memorial Day in furtherance of efforts to reduce field stocks. June output in the U. S. A. and Canada will probably drop to around 155,000 units, compared with 210,000 during May, 238,000 in April, and 540,000 for May, 1937.

* * *

Inventories which, according to Department of Commerce figures, were 46% above last year on April 30, are still the outstanding economic obstruction to business recovery. Generally speaking the situation is not so serious in manufactured goods where inventories average only 14% higher than a year earlier; though textiles are up 87% and **newsprint** 32%. Stocks of raw material, on the other hand, are up 68%, including an increase of 91% in world stocks of refined copper.

* * *

Freight cars ordered during May came to 6,114, compared with only 3 in April and 3,903 for May of 1937. This year's cumulative total for five months amounted to 6,933, against 44,562 during the corresponding period of last year. **Locomotives** ordered during the five months numbered 44, compared with 206.

WEEKLY INDICATORS

	Date	Latest Week	Previous Week	Year Ago
ELECTRIC POWER OUTPUT				
K.W.H.†	June 4	1,879	1,973	2,131
TRANSPORTATION				
Carloadings, total	June 4	502,624	562,061	688,987
Grain	June 4	26,332	33,344	22,124
Coal and Coke	June 4	92,803	102,448	114,058
Forest Products	June 4	24,503	26,841	37,448
Manufacturing & Miscellaneous	June 4	198,203	218,422	282,185
L. C. L. Mdse	June 4	130,036	148,525	149,334
STEEL PRICES				
Pig Iron $ per ton (m)	June 9	23.25	23.25	23.25
Scrap $ per ton (m)	June 9	11.00	11.17	17.42
Finished c per lb. (m)	June 9	2.487	2.487	2.512
STEEL OPERATIONS				
% of Capacity (m)	June 11	25.0	25.0	78.0
CAPITAL GOODS ACTIVITY (m)	June 4	43.0	45.8	89.0
PETROLEUM				
Average Daily Production bbls.★	June 4	3,108	3,099	3,538
Crude Runs to Stills Avge. bbls.★	June 4	3,105	3,150	3,311
Total Gasoline Stocks bbls.★	June 4	87,767	87,964	79,201
Gas and Fuel Oil Stocks bbls.★	June 4	134,632	134,315	98,179
Crude—Mid-Cont. $ per bbl	June 11	1.27	1.27	1.27
Crude—Pennsylvania $ per bbl	June 11	1.75	1.75	2.35
Gasoline—Refinery $ per gal	June 11	.06½	.06½	.07⅜

PRESENT POSITION AND OUTLOOK

Although **electric power output** has sagged to 11.8% below last year, the secular trend of consumption is still strongly upward, and will achieve new heights when general business activity recovers. Vice-Pres. Kehoe of Consolidated Edison predicts that utility plant investment will expand by $13,000,000,000, or 100%, within the next 10 years. SEC Chairman Douglas believes that re-integration of the industry under the Utility Act will be completed within five years, and promises that the interests of Preferred stockholders will be protected during this process of reorganization.

* * *

While the **steel** operating rate is expected to dip this summer below the present 26% of capacity, hopes of expansion this autumn to at least 35% are entertained in trade circles. Some weakness here and there is reported in reinforcing bars; but price cutting can not become general so long as wages remain frozen.

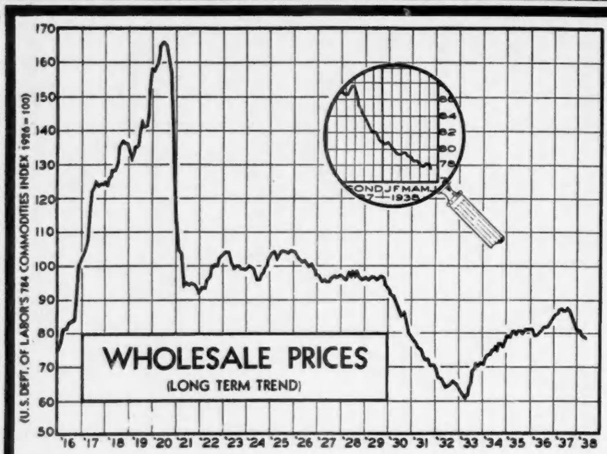
* * *

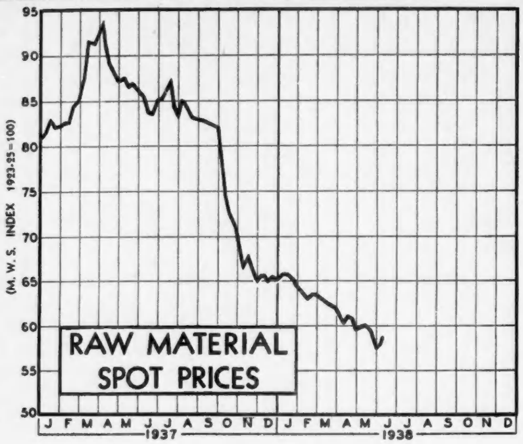
With **crude output** throttled down to 13% below last year, the **oil industry** is working gradually into a stronger statistical position and **gasoline** prices in the East Texas district have been advanced ⅜c. Motor fuel inventories, though, are still 14% above last year.

†—Millions. ★—Thousands. (b)—Annalist Index 1928—100. (ba)—Federal Reserve 1923-25—100. (c)—Dun & Bradstreet's. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923—100. (e)—Dept. of Agric., 1924-29—100. (ee)—Dept. of Agric., 1909-14—100. (f)—1923-25—100. (g)—Chain Store Age 1929-31—100. (h)—U.S.B.L.S. 1926—100. (k)—F. W. Dodge Corp. (m)—Iron Age. (n)—1926—100. (p)—R. L. Polk & Co.'s Estimate. (pl)—Preliminary. (s)—Fairchild Index, Dec. 1930—100. (En)—Engineering News Record. (Ry)—Railway Age.

Trend of Commodities

The recovery of commodity prices over the past fortnight from their recent lows has done much to dispel the fears concerning the fall business prospect. A period of relative stability in commodity prices must be recognized as an essential prelude to a general business upturn stemming from the replenishment of depleted inventories and forward buying. For some months caution has been the watchword of purchasing agents and industrial buyers. Primary stocks are still unwieldy but in the case of a number of basic commodities steps are being taken to bring about a drastic curtailment in production. Whether commodity prices have seen their current lows or whether the recent recovery is merely a pause in the downtrend will probably be confirmed by the trend during the next two weeks.





Changes in Major Commodity Price Group for the Fortnight Ended June 4, 1938

Farm Products	67.2	down 1.6	Metals	95.7	down 0.6
Foods	72.3	down 0.6	Building Material	90.2	down 0.2
Hides and Leather	91.5	down 0.2	Chemical	75.9	down 0.5
Textiles	65.5	down 0.5	Housefurnishings	88.6	no change
Fuel and Lighting	76.5	down 0.1			

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COTTON				
Price cents per pound, closing				
July	June 11	8.14	8.06	12.11
October	June 11	8.19	8.11	12.16
Spot	June 11	8.24	8.06	12.61
(In bales 000's)				
Visible Supply, World	June 10	8,461	8,490	5,225
Takings, World, wk. end	June 10	164	259	428
Total Takings, season to	June 10	15,817	15,654	20,120
Consumption, U. S.	Apr.	414	511	719
Exports, wk. end	June 10	34	55	73
Total Exports, season to	June 10	5,374	5,340	5,217
Government Crop Est. (final)	1937	18,946	......	12,399
Active Spindles (000's)	Apr.	21,786	22,288	24,727
WHEAT				
Price $ per bu. Chi. closing				
July	June 11	.79⅛	.71⅞	1.08¾
Sept.	June 11	.80⅜	.73	1.08⅜
Exports bu. (000's) wk. end	June 4	3,520	3,874	2,121
Exports bu. (000's) since Jul. 1 to	June 4	121,700	118,180	110,908
Visible Supply bu. (000's) as of	June 4	27,919	30,237	12,696
Gov't Crop Est. bu. (000's) winter	June 1	760,623	754,153	685,102(e)
CORN				
Price cents per bu. Chi. closing				
July	June 11	58½	57⅛	114⅛
Sept.	June 11	59½	58⅛	102
Visible Supply bu. (000's) as of	June 4	23,990	25,460	4,041
Exports bu. (000's) since Jul. 1 to	June 4	76,272	70,413	7
Gov't Crop Est. bu. (000's)	Dec. 17	2,644,995	......	1,502,089(e)

PRESENT POSITION AND OUTLOOK

Cotton. Aided by more cheerful news developments and reports of crop damage, cotton has rallied strongly. Although early estimates indicate that consumption last month was the lowest since May 1932, mill production remains severely restricted and finished materials are being prevented from becoming burdensome. Exports are holding up better than expected and shipments this season are somewhat better than 2% ahead of last year. The current crop is estimated at 11,000,000 bales, but July and August weather will tell the real story. Prices may rally further.

* * *

Wheat. Several factors have aided the recovery in wheat prices. Reports from the Southwest indicate that the condition of the crop is less favorable than previously believed. Reports of rust damage have mounted. Rumors are current that the Government loan basis on wheat may be larger than the 60-cent basis generally talked of, a figure of 80 cents a bushel at Chicago having been mentioned in connection with these rumors. Milling demand has improved and the export outlook is better. Shorts growing more cautious.

* * *

Corn. Prices continue to move more or less in sympathy with wheat. Export shipments are active and there appears slight doubt that export shipments will exceed 100,000,000 bushels, the largest since 1922. Firm to slightly higher prices forecast.

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COPPER				
Price cents per lb.				
Domestic	June 11	9.00	9.00	14.00
Export c. i. f.	June 11	8.65	8.50	14.07
Refined Prod., Domestic (tons)	Apr.	55,749	61,120	83,178
Refined Del., Domestic (tons)	Apr.	31,684	33,430	95,884
Refined Stocks, Domestic (tons)	Apr. 30	355,663	342,780	99,576
Refined Prod., World (tons)	Apr.	162,588	169,820	191,809
Refined Del., World (tons)	Apr.	161,261	158,700	216,877
Refined Stocks, World (tons)	Apr. 30	541,579	540,250	283,363
TIN				
Price cents per lb., N. Y.	June 11	39.375	38.60	56.125
Tin Plate, price $ per box	May	5.35	5.35	5.35
World Visible Supply†	June 1	19,660	20,745	19,398
U. S. Deliveries†	May	4,275	3,725	6,425
U. S. Visible Supply†	June 1	3,679	4,447	5,144
LEAD				
Price cents per lb., N. Y.	June 11	4.00	4.00	6.00
U. S. Production (tons)	Apr.	39,291	36,436	46,468
U. S. Shipments (tons)	Apr.	25,952	31,052	55,200
Stocks (tons) U. S., as of	Apr. 30	156,715	143,511	128,462
ZINC				
Price cents per lb., St. Louis	June 11	4.00	4.00	6.75
U. S. Production (tons)	May	37,510	38,035	55,012
U. S. Shipments (tons)	May	24,628	20,806	55,201
Stocks (tons) U. S., as of	May	148,120	135,238	13,774
SILK				
Price $ per lb. Japan xx crack	June 11	1.54-159	1.56-1.61	1.79-1.84
Mill Dels. U. S. (bales), season to	May 31	348,988	......	447,959
Mill Deliveries U. S. (bales)	May	28,687	33,381	35,278
Visible Stocks N. Y. (bales)	May 31	37,016	41,455	41,302
Visible Stocks, World (bales) as of	May 31	135,616	130,955	140,802
RAYON (Yarn)				
Price cents per lb	June 11	49.0	49.0	63.0
Deliveries (a)	May	444	445	724
All Rayon—Month's Supply	June 1	3.8	3.5	0.1
WOOL				
Price cents per lb., territory fine	June 11	66.0	66.0	101.0
HIDES				
Price cents per lb. Hvy. Native Chi.	June 11	9.50	9.50	16.0
Visible Stocks (000's) (b) as of	Apr. 30	14,029	14,576	15,753
No. of Mos. Supply, as of	Apr. 30	8.3	9.0	7.1
RUBBER				
Price cents per lb	June 11	12.125	11.25	19.875
Imports, U. S.†	Apr.	30,807	35,967	35,850
Consumption, U. S.†	Apr.	27,984	30,487	51,859
Stocks, U. S., as of	Apr. 30	301,436	294,024	176,289
Tire Production (000's)	Apr.	2,706	2,759	5,730
Tire Shipments (000's)	Apr.	3,199	2,878	5,560
Tire Inventory (000's) as of	Apr.	10,317	10,808	12,629
COFFEE				
Price cents per lb. (c)				
July Delivery	June 10	5.86	5.77	11.02
Imports (bags 000's)	May	1,137	1,208	......
Imports, season to	May	11,270	......	11,607
U. S. Visible Supply (bags 000's)	June 1	1,299	1,333	1,390
SUGAR				
Price cents per lb.				
Domestic No. 3 July	June 10	1.82	1.83	2.46
Duty free delivered	June 10	2.74	2.70	3.35
Refined (Immediate Shipment)	June 10	4.50	4.50	4.70
U. S. Deliveries (000's)*	1st 4 ms.	1,796	......	2,469
U. S. Ref. Stocks (000's)* as of	Apr. 30	1,747	......	1,137

PRESENT POSITION AND OUTLOOK

Copper. Many consumers of copper cling to the belief that the present 9-cent price will weaken sooner or later and are guiding their purchases accordingly. While this concensus finds support in the present statistical position of copper, particularly in the United States, prices may hold pending more definite evidence bearing on the success of drastically curtailed production announced by two leading producers. It must be admitted, however, that an anticipated drop of 10,000 tons monthly in production appears rather small in relation to current stocks of 335,000 tons.

* * *

Tin. Following the reduction of third quarter quotas to 45% and the announced intention of forming a buffer pool, information as to the amount of tonnage to be acquired by the pool has been withheld. It is expected, however, that the amount of free tin in the third quarter may be held to 30 or 35%, about 2,500 to 3,000 tons less than allowed at present. Prices should hold.

* * *

Lead. Shipments of lead in May are estimated at 25,000 tons on which basis stocks probably gained about 10,000 tons. This would compare with an increase of 13,000 tons in April. Demand is quiet but prices remain firm.

* * *

Zinc. Stocks at the beginning of the month were the largest since 1930. However, with the drastic curtailment of output scheduled for this month, the statistical position promises to be altered for the better. Demand, aside from a brief spurt last week, continues dull.

* * *

Silk. Mills took only 28,687 bales last month, as compared with 33,381 in April. Increased activity, however, is foreshadowed in preparation of the fall weaving season.

* * *

Rayon. Deliveries last month were lower and stocks rose. On a poundage basis, however, stocks were virtually unchanged. Prices now generally below production costs and would be subject to some increase with any pick up in fall demand.

* * *

Wool. Stocks of apparel woolen on June 1, amounted to 633,000,000 pounds as compared with 532,000,000 pounds a year ago and the ten year average for June 1 of 585,000,000 pounds. Demand continues abnormal.

* * *

Hides. Sentiment in the trade is mixed and prices are likely to require the bolstering effects of rising demand.

* * *

Rubber. Following the reduction in third quarter quotas to 45% of basic allotments, prices have been firm. May consumption, estimated at about 30,000 tons will show a gain over April. Tire shipments also were probably slightly higher.

* * *

Coffee. Demand quiet and prices about unchanged. Destruction by Brazil in the last half of May was larger than in the first half by nearly 100,000 bags.

* * *

Sugar. U. S. quotas have been cut 81,195 short tons. The cut was so small as to be without potential effect. Psychologically, however, the trade has been encouraged by the move as indicating a more realistic attitude on the part of the Secretary of Agriculture.

(a)—Expressed in % (1923-25—100). (c)—Santos No. 4 N. Y. (e)—1937 Harvest. †—Long tons. *—Short tons.

Money and Banking

	Date	Latest Week	Previous Week	Year Ago
INTEREST RATES				
Time Money (60-90 days)	June 11	1¼%	1¼%	1¼%
Prime Commercial Paper	June 11	1%	1%	1%
Call Money	June 11	1%	1%	1%
Re-discount Rate, N. Y.	June 11	1%	1%	1½%
CREDIT (millions of $)				
Bank Clearings (outside N. Y.)	May 28	$2,163	$2,253	$2,683
Cumulative year's total	May 28	48,424	......	57,044
Bank Clearings, N. Y.	May 28	2,799	2,657	3,326
Cumulative year's total	May 28	64,428	......	81,710
F. R. Member Banks				
Loans and Investments	June 1	20,536	20,597	22,158
Commercial, Agr., Ind. Loans	June 1	3,992	4,031	4,270
Brokers Loans	June 1	603	578	1,333
Invest. in U. S. Gov'ts	June 1	7,844	7,922	8,287
Invest. in Gov't Gtd. Securities	June 1	1,411	1,385	1,156
Other Securities	June 1	2,947	2,945	3,144
Demand Deposits	June 1	14,589	14,697	15,274
Time Deposits	June 1	5,216	5,212	5,231
New York City Member Banks				
Total Loans and Invest.	June 8	7,947	7,482	8,474
Comm'l, Ind. and Agr. Loans	June 8	1,511	1,527	1,683
Invest. U. S. Gov'ts dir. & gtd.	June 8	3,684	3,538	3,503
Demand Deposits	June 8	6,316	6,101	6,501
Time Deposits	June 8	657	641	724
Federal Reserve Banks				
Member Bank Reserve Balance	June 8	7,848	7,745	6,929
Money in Circulation	June 8	6,437	6,469	6,435
Gold Stock	June 8	12,940	12,918	12,118
Treasury Currency	June 8	2,703	2,703	2,547
Treasury Cash	June 8	2,277	2,254	3,254
Excess Reserves	June 8	2,710	2,640	930

		Latest Month	Last Month	Year Ago
NEW FINANCING (millions of $)				
Corporate	May	61.6	78.7	173.2
New Capital	May	35.9	12.3	81.0
Refunding	May	25.7	66.5	92.2
Government	May	236.0	391.1	400.5
Refunding	May	200.7	351.0	200.0
Addition to Debt	May	35.3	40.1	200.5

COMMENT

At the annual convention of the Illinois Bankers Assn., an interesting point was raised. The possibility was suggested that the Government's policy of fostering low interest rates might defeat its own purpose by compelling banks to be more cautious in their loans. It was pointed out that owing to low interest rates, and an average return of 2%, a bank losing more than one dollar in every $50 would suffer an impairment of assets.

* * *

The latest statement of **New York City Member Banks** disclosed an exceptional upturn in loans and investments, the gain for the week ended June 8 amounting to $465,000,000. Loans to brokers accounted for $242,000,000 of the increase and purchases of direct Government securities accounted for $115,000,000. The greatest part of the gain in brokers' loans is traceable to the purchase of June and September Treasury notes by security dealers. The purchase of these notes by banks accounted for practically the entire gain in holdings of direct Government issues. In addition New York banks bought $31,000,000 of Government guaranteed issues and $39,000,000 of other securities. Industrial and commercial loans declined $16,000,000 in the latest week. The net result, however, is that total outstanding credit is at the highest point this year. This will doubtless prove temporary as purchases of Treasury notes are distributed. Special tax notes in the amount of $250,000,000 also will mature shortly. The latest statement of **Federal Reserve Banks** revealed a decline of $32,000,000 in circulation and excess reserves were up $70,000,000 to $2,710,000,000, the highest since August 1936.

* * *

New corporate flotations, according to the "Financial Chronicle" in the first five months of this year totaled only $375,000,000 against $1,354,000,000 in the same months last year. New financing will be less active during the next several weeks. Considerable new financing is in sight, however.

POSITION OF FOREIGN BANKS

	June 8, 1938	June 9, 1937
BANK OF ENGLAND		
Circulation	£490,721,000	£476,541,000
Public Deposits	11,732,000	10,687,000
Private Deposits	146,535,000	144,205,000
Bankers Accounts	111,110,000	107,429,000
Other Accounts	35,425,000	36,776,000
Government Securities	111,421,000	101,203,000
Other Securities	28,104,000	25,907,000
Discount and Advances	7,937,000	4,833,000
Securities	20,167,000	21,074,000
Reserve Notes & Coin	36,545,000	45,613,000
Coin and Bullion	327,266,000	322,154,000
BANK OF FRANCE	June 3, 1938	June 4, 1937
Gold Holdings	Fr.55,807,000,000	Fr.57,359,000,000
Credit Balances Abroad	20,000,000	12,000,000
French Commercial Bills Disc.	6,809,000,000	7,117,000,000
Bills Bought Abroad	....	1,023,000,000
Advance Against Securities	3,558,000,000	3,989,000,000
Note Circulation	101,077,000,000	81,971,000,000
Credit Current Accounts	17,346,000,000	16,266,000,000
Temp. Advs. to State	40,133,000,000	19,979,000,000
Gold on Hand to Sight Liabilities	47.13%	55.56%

COMMENT

Industrial activity in Great Britain in the first quarter of this year was nearly 3% less than in the final quarter of 1937 but 1.1% ahead of the first quarter a year ago. The gain in the first quarter this year over last year was the smallest shown in any quarter for the past five years. It would appear, therefore, that the rate of business decline in Britain is accelerating, despite increasingly heavy outlays for defense. New building is falling off and the same is true of shipbuilding. Although iron and steel activity is only slightly below the level of a year ago, prospects indicate slackening demand.

* * *

The latest statement of the Bank of France reveals a sharp increase in note circulation, the outstanding amount crossing a billion francs for the first time in history. The increase, however, is not the result of renewed hoarding but the result of French fiscal policies. Borrowing of the government at the Bank of France has virtually ceased. The Daladier cabinet appears secure until next fall, at least, and the labor situation is quiet.

POSITION OF FOREIGN BANKS—Continued

GERMAN REICHSBANK	June 7, 1938	June 7, 1937
Gold and Bullion	Rm.70,773,000	Rm.68,777,000
Of Which Deposits Abroad	20,333,000	19,359,000
Reserve in Foreign Currency	5,553,000	5,528,000
Bills of Exchange & Checks	5,776,731,000	4,796,934,000
Investments	844,351,000	414,234,000
Other Assets	1,269,577,000	736,977,000
Notes in Circulation	6,145,000,000	4,725,977,000
Other Daily Matured Obligations	1,110,387,000	678,222,000
Other Liabilities	244,678,000	195,163,000
Proportion of Gold & Foreign Currency to Note Circulation	1.24%	1.57%

BANK OF CANADA	June 8, 1938	June 9, 1937
Reserve Gold, Coin & Bullion	$182,136,000	$184,058,000
Silver Bullion	....	2,482,000
Reserve in Sterl. & U. S. Dollars	39,912,000	22,831,000
Subsidiary Coin	373,000	179,000
Dom. & Prov. Gov't Short Term Securities	113,745,000	42,385,000
Other Dom. & Prov. Securities	52,505,000	102,665,000
Other Securities	7,602,000	....
Note Circulation	154,698,000	131,391,000
Deposits—Dom Gov't	40,937,000	21,841,000
Chartered Banks	188,713,000	192,468,000
Res. to Note & Dep. Liabilities	57.46%	60.45%

Business in Germany continues active and larger dividends are the rule rather than the exception. Reports are current that Germany may relax the rigid control exercised over foreign exchange. While such action may be deferred for some further time, there is no gainsaying the possible advantages to Germany. The business slump is stifling the foreign trade of other large nations and sharpening competition, conditions which should permit Germany to drive good bargains for raw materials and other supplies which she so gravely needs.

* * *

Aided by seasonal impulses, favorable crop prospects and a rising volume of new construction work, Canadian industrial activity recorded a modest gain in May. Activity, however, from this point on will probably decline until the crop outlook becomes more clearly defined. The fall prospect is, on the whole, less promising than a year ago.

FOREIGN EXCHANGE IN DOLLAR TERMS

Quotations in cents and decimals of a cent except pound sterling which is in dollars and cents.	Demand		Cables	
Country and Par	June 10	Year Ago	June 10	Year Ago
Great Britain ($8.2397 a sov.)	4.96⅛	4.93½	4.96⅛	4.93½
Belgium (16.9502c a belga)	16.96¾	16.88	16.96¾	16.88
Bulgaria (1.22c a lev) ¶	1.27	.....	1.27	.....
Czechoslovakia (3.51c a crown)	3.47¾	3.48⅝	3.47¾	3.48⅝
Denmark (45.374c a krone)	22.15½	22.03	22.15½	22.03
Finland (4.264c a finmark)	2.20	2.18½	2.20	2.18½
France (par not definite)	2.78¼	4.45¼	2.78¼	4.45¼
Germany (40.33c a mark)**	40.23½	40.06	40.23½	40.06
Germany (benevolent mark)	21.05	.....	21.05	.....
Germany (travel mark)	23.55	25.35	23.55	25.35
Germany (emigrant mark)	4.65	.....	4.65	.....
Germany (kredit mark)	4.97½	.....	4.97½	.....
Greece (2.197c a drachma)	0.91	0.90⅝	0.91⅛	0.90¾
Holland (par not definite)	55.38	54.99	55.38	54.99
Hungary (29.613c a pengo) ¶	19.90	19.75	19.90	19.75
Italy (5.2634c a lira)§	5.26¼	5.26½	5.26¼	5.26½
Norway (45.374c a krone)	24.94	24.79	24.94	24.79
Poland (18.994c a zloty)	18.88	18.98	18.88	18.98
Portugal (7.483c an escudo)	4.54	4.50	4.54	4.50
Rumania (1.012c a leu)	0.75	0.75	0.75	0.75
Spain (Burgos peseta)†	10.00	8.50	10.00	8.50
Sweden (45.374c a krona)	25.58½	25.44	25.58½	25.44
Switzerland (par not definite)	22.85	22.89	22.85	22.89
Yugoslavia (2.981c a dinar)	2.35	2.33	2.35	2.33
Shanghai dollars (unsettled)	19.00	29.62½	19.00	29.62½
Hongkong dollars (unsettled)	30.96	30.37½	30.96	30.37½
India (61.798c a rupee)	36.82	37.24	36.82	37.24
Japan (84.39c a yen)	28.92	28.70	28.92	28.70
Sts. Settlements (96.139c a dollar)	57.65	58.00	57.65	58.00
Argentina (71.87c a paper peso) ¶	26.10	30.59	26.10	30.59
Argentina (71.87c a paper peso)**	33.07	32.90	33.07	32.90
Brazil (20.25c a paper milreis)**	5.85	6.68	5.85	6.68
Chile (20.599c a gold peso)†	5.19	5.19	5.19	5.19
Colombia ($1.645 a gold peso)**	55.10	56.98	55.10	56.98
Mexico peso (unsettled)†	22.25	27.80	22.25	27.80
Peru (47.409c a sol)†	23.25	25.37½	23.25	25.37½
Uruguay ($1.751 a gold peso) ¶	42.00	58.25	42.00	58.25
Uruguay ($1.751 a gold peso)**†	65.28	79.35	65.28	79.35
Venezuela (32.67c a bolivar) ¶	31.62½	32.00	31.62½	32.00
Venezuela (32.67c a bolivar)**	31.62½	.....	31.62½	.....

†—Nominal quotations. ¶—Free rate. **—Official rate. §—Travel Lira 4.75c.

COMMENT

Principal foreign exchange markets have been excited over recurring rumors of dollar devaluation. Despite frequent official denials these reports persist without any tangible evidence to support them. Most of the rumors appear to have their origin abroad and are typified by the most recent one that the imminent return of Ambassador Kennedy implies a new tri-partite monetary agreement. The reasoning abroad is that the United States faced with a serious business depression which cannot be promptly turned around by the spending-lending program will resort to another cut in the gold content of the dollar for the purpose of giving commodity prices an inflationary lift. Like the Government spending program, dollar devaluation was successful in stimulating a rise in commodity prices in 1933, and, also like the spending program, may be reverted to again—or so the line of current reasoning goes. As a practical matter, however, it is to be doubted that anything worthwhile in terms of our own economy can be gained from further dollar devaluation.

* * *

The crisis in Belgium appears to have been surmounted, temporarily, at least. The belga has been outstanding in its recent firmness, being quoted above parity against the dollar. Apparently, confidence in the belga has been restored by the success of the Belgian government in negotiating a 35,000,000-guilder loan in Holland, as well as a loan of 25,000,000 Swiss francs in Switzerland.

Security Statistics

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1937 Indexes High	1937 Indexes Low	No. of Issues (1925 Close—100)	1938 Indexes High	Low	May 28	June 4	June 11
122.0	54.3	330 COMBINED AVERAGE	65.9	44.2	46.6	47.9	49.0
253.3	111.4	5 Agricultural Implements	130.9	88.5	88.5L	91.9	93.7
72.6	34.0	6 Amusements	41.4	24.7	27.2	26.8	27.6
146.6	52.1	16 Automobile Accessories	70.6	43.1	43.1L	43.4	45.1
30.1	8.9	12 Automobiles	12.4	7.0	7.0L	7.5	7.7
178.0	73.4	9 Aviation (1927 Cl.—100)	109.6	75.2	90.9	95.3	98.0
28.5	9.3	3 Baking (1926 Cl.—100)	12.7	8.9	10.3	10.9	11.1
308.6	135.4	3 Business Machines	159.6	120.2	125.3	132.4	130.5
247.7	132.6	9 Chemicals	157.7	111.6	111.6L	116.8	123.0
88.3	32.9	18 Construction	39.3	25.6	28.6	29.6	30.6
361.0	193.4	5 Containers	222.5	173.8	173.8L	178.2	184.9
217.3	75.3	9 Copper & Brass	102.0	60.0	61.4	64.1	66.4
43.0	24.5	2 Dairy Products	28.0	23.1	23.5	23.1	23.7
42.7	15.2	9 Department Stores	18.7	12.2	13.6	14.1	14.2
108.8	45.2	9 Drugs & Toilet Articles	55.0	40.1	40.7	41.7	41.0
388.4	182.6	2 Finance Companies	219.4	158.1	168.0	167.4	173.4
71.9	37.5	7 Food Brands	44.5	33.3	38.9	41.0	41.5
53.2	25.9	4 Food Stores	30.2	20.5	20.5R	21.1	21.8
122.3	46.4	4 Furniture & Floor Covering	57.4	36.9	37.7	39.2	40.5
1160.6	894.0	3 Gold Mining	1204.8	953.7	1069.1	1136.4	1135.3
58.6	25.8	6 Investment Trusts	29.9	21.1	22.6	22.9	22.8
317.8	167.2	4 Liquor (1932 Cl.—100)	194.2	141.8	143.9	142.7	143.0
209.8	97.8	9 Machinery	114.5	77.6	83.0	84.4	87.3
104.3	53.8	2 Mail Order	63.3	49.1	50.2	52.3	54.7
109.6	47.5	4 Meat Packing	55.3	36.5	39.7	39.6	39.4
334.1	138.6	15 Metals, non-Ferrous	177.9	116.0	116.0L	120.4	124.7
26.5	7.4	2 Paper	9.7	5.8	6.7	6.9	7.3
158.8	90.8	23 Petroleum	104.3	76.2	80.0	83.2	85.3
114.9	50.5	18 Public Utilities	60.0	38.8	45.5	47.7	47.5
31.7	13.3	4 Radio (1927 Cl.—100)	16.9	10.3	10.3L	10.5	11.2
112.9	37.7	9 Railroad Equipment	48.3	28.2	29.8	30.5	31.2
48.6	16.2	23 Railroads	18.6	10.8	10.8	11.0	11.0
28.5	6.9	3 Realty	9.2	4.7	6.4	6.5	6.8
87.6	34.9	3 Shipbuilding	62.6	36.1	39.7	41.8	43.1
165.6	69.6	13 Steel & Iron	85.8	55.2	55.2L	57.0	58.4
45.2	21.6	6 Sugar	25.7	17.4	17.4L	18.8	18.5
171.2	118.6	2 Sulphur	147.3	118.6	130.7	132.6	136.5
85.3	43.2	3 Telephone & Telegraph	47.8	37.6	43.7	46.6	46.3
91.8	35.3	7 Textiles	42.9	27.9	29.5	29.5	30.2
29.2	10.7	4 Tires & Rubber	14.2	10.0	10.0L	10.6	10.6
99.4	68.3	4 Tobacco	75.9	63.8	68.2	69.3	70.0
71.9	20.6	5 Traction	31.2	15.6	22.2	23.0	24.7
346.8	157.7	4 Variety Stores	189.1	146.0	165.3	162.7	165.4
.....	.....	22 Unclassified (1937 Cl.—100)	122.0	84.7	91.1	90.2	94.7

L—New LOW since 1936. R—New LOW record since 1928.

DAILY INDEX OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, May 30			HOLIDAY			
Tuesday, May 31	66.89	107.74	20.31	76.70	75.47	404,060
Wednesday, June 1	67.12	110.61	20.60	78.24	78.16	537,510
Thursday, June 2	67.04	110.68	20.52	78.63	77.43	475,530
Friday, June 3	66.89	109.71	20.22	77.41	76.61	284,850
Saturday, June 4	66.95	111.82	20.57	78.57	77.14	306,930
Monday, June 6	66.97	113.19	20.58	79.75	78.46	467,330
Tuesday, June 7	66.93	113.12	20.55	79.95	78.78	371,980
Wednesday, June 8	66.59	113.75	20.48	79.78	78.88	278,410
Thursday, June 9	66.46	115.74	20.81	81.38	79.67	587,220
Friday, June 10	66.37	114.47	20.53	81.37	79.98	406,370
Saturday, June 11	66.17	114.23	20.53	80.26	79.98	107,230

STOCK MARKET VOLUME

Week Ended June 11	Week Ended June 4	Week Ended May 27
2,218,540	2,008,880	2,842,260
Total Transactions	Same Date	Same Date
Year to June 11	1937	1936
96,620,628	218,892,615	248,224,199

COMMENTS

In an old fashioned atmosphere of extreme summer lethargy, our Combined Average of 330 normally active stocks managed during the fortnight ended June 11 to regain nearly half of the ground lost through the four-weeks' decline in May. On Saturday, June 11, transactions dwindled to barely more than 100,000 shares, the smallest volume in years. According to predilections you can call this dullness on the rally, or dullness near the bottom of a bear market. Either way, the market is showing apathy to poor business reports.

* * *

The feeble rally of 2.4 points in our Combined Average during the past fortnight has carried the market up to nearly the level of May 21, a bench mark by which the technical strength or weakness of component industrial groups can be measured. Groups which passed this bench mark, and so exhibited technical strength, during the fortnight ended June 11, include Chemicals, Containers, Food Brands, Gold Mining, Mail Order, Metals, Petroleum, Radio, Telephone & Telegraph, Tobacco, and Traction.

* * *

Strength in Chemicals reflects the prevalently accepted belief in an autumn business revival. Containers are entering upon the season of heaviest sales. Food Brands are helped by low sugar and wheat costs. Gold Mining is being stimulated by revival of the old devaluation rumor. Mail Order shares have responded to rising wheat prices on damage reports. Strength in Metals, Petroleum, and Radio indicates a more favorable inventory outlook. Telephone & Telegraph reflects the favorable reports recently issued by International Tel. & Tel.

* * *

Tobacco stocks, which generally enjoy a high investment rating, are likely to be in demand when second and third rate common stocks go begging. Outlook for the industry, moreover, is regarded favorably because of the sustained high level of cigarette consumption. Tractions have recently come to life again, owing to renewal of negotiations for unification of the New York transit lines.

* * *

Groups which exhibited technical weakness during the past fortnight by falling cons derably short of the May 21 bench mark include Amusements, hurt by low summer theatre attendance and heavy write-offs of costly film inventories; Investment Trusts, reflecting current exposures of mismanagement in the instance of a small and less well known group of companies; Liquor, due to price cutting; Rails, for already well known reasons; and Textiles, where inventories are still excessive.

New York Stock Exchange

Rails

A	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 6/8/38	Div'd $ Per Share
Atchison	88½	59	94¾	32⅞	42	22¼	26½	‡2.00
Atlantic Coast Line	49	21⅝	55½	18	27⅜	14	16½	‡1.50
B								
Baltimore & Ohio	26½	15⅞	40½	8⅛	10⅞	4	5¼	....
Bangor & Aroostook	49½	39	45	30	34	29	30	2.50
C								
Canadian Pacific	16	10⅞	17½	6⅞	8⅛	5	5¾	....
Chesapeake Corp.	100	59	90½	40	48½	27⅛	28¾	....
Chesapeake & Ohio	77¾	51	68⅞	31	38½	23⅛	23½	†1.75
Chicago Gt. Western Pfd	14⅝	4	18¼	3	5⅜	2⅜	2¾	....
C. M. & St. Paul & Pacific	2⅞	1½	3¼	⅝	1	½	⅝	....
C. M. & St. Paul & Pacific Pfd	5⅞	2⅞	7¼	1⅛	1¾	⅞	⅞	....
Chicago & North Western	4⅞	2½	6⅜	⅞	1¾	¾	⅞	....
Chicago, Rock Is. & Pacific	3	1½	3⅝	¾	1¼	⅝	⅝	....
D								
Delaware & Hudson	54¾	36¾	58⅜	13	17⅞	7½	9	....
Delaware, Lack. & West	23⅛	14⅞	24½	5	8½	4	4⅞	....
E								
Erie R. R.	18¼	11	23⅝	4¼	6¼	2	2	....
G								
Great Northern Pfd.	46⅜	32¼	56¾	20½	26¼	12⅜	15	....
I								
Illinois Central	29½	18⅝	38	8	12¼	6⅛	7½	....
K								
Kansas City Southern	26	13	29	5	9¾	5⅛	7⅝	....
L								
Lehigh Valley	22	8½	24⅝	4¼	6¾	3	3½	....
Louisville & Nashville	102⅜	57½	99	48½	56½	29⅞	32¾	†2.50
M								
Mo., Kansas & Texas Pfd., A	33⅜	14½	34⅝	5⅛	11⅛	4¾	6¼	....
Missouri Pacific	4	2⅛	6¼	1¼	2⅜	¾	⅞	....
N								
New York Central	49⅝	27¾	55¼	15⅛	19⅞	10	11½	....
N. Y., Chic. & St. Louis	53⅛	17¾	72	14	22½	7	10	....
N. Y., N. H. & Hartford	6⅛	3	9¾	2	2¾	1¼	1¼	....
Norfolk & Western	310½	210	272	180	198	133	135¼	*10.00
Northern Pacific	36¾	23⅞	36⅝	9⅞	13⅜	6⅜	7¾	....
P								
Pennsylvania	45	28¼	50¼	20	24½	14⅛	14½	....
R								
Reading	50¾	35½	47	18⅛	22	12⅜	12⅜	2.00
S								
St. Louis-San Fran	3⅝	1½	4¾	1	1¼	¾	¾	....
Southern Pacific	47⅞	23½	65⅜	17	22⅛	9¼	11	....
Southern Railway	26½	12¾	43⅜	9	13¾	5½	7⅜	....
T								
Texas & Pacific	49	28	54¼	15⅝	24½	13	17	....
U								
Union Pacific	149¾	108½	148¾	80	88½	55⅜	62½	†4.50
W								
Western Maryland	12⅛	8⅛	11¾	2⅝	4½	2⅝	3	....

Industrials and Miscellaneous

A	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 6 8 38	Div'd $ Per Share
Air Reduction	86½	58	80¼	44½	58¼	40	46¼	*1.00
Alaska Juneau	17½	13	15¾	8	13⅜	8¾	10	* .60
Allegheny Steel	40⅜	26⅞	45⅝	13	21¾	11⅝	13½	....
Allied Chemical & Dye	245	157	258½	145	176½	124	149½	6.00
Allied Stores	20⅛	6¾	21⅞	6⅛	9⅜	4½	5⅝	....
Allis-Chalmers Mfg	81	35⅜	83½	34	51¾	34¼	41	† .75
Amerada	125½	75	114⅞	51½	72½	55	58¼	2.·0
Amer. Agric. Chemical (Del.)	89	49	101½	53½	66	49	52	†2.25
Amer. Bank Note	55½	36	41⅜	10	17¼	10	16¼	† .60
Amer. Brake Shoe & Fdy	70¼	40	80¾	28	42½	23¼	29	† .25
Amer. Can	137½	110	121	69	91¼	70¾	86⅞	4.00
Amer. Car & Fdy.	60½	30	71	15¼	27½	12⅝	16	....
Amer. & Foreign Power	9¾	6½	13¾	2½	4⅜	2¼	3⅜	....
Amer. Power & Light	14⅜	7½	16½	3	7⅛	3¼	5	....
Amer. Radiator & S. S.	27⅜	18¾	29½	9¼	14¼	9	10¼	....
Amer. Rolling Mill	37	23¾	45¼	15½	22⅞	13⅛	14⅞	....
Amer. Smelting & Refining	103	56¾	105¾	41	56¾	28⅛	35¼	†1.75
Amer. Steel Foundries	64	20½	73¼	22½	34¾	15⅝	18½	....
Amer. Sugar Refining	63⅝	48¼	56⅞	24	31	21½	22½	†1.25
Amer. Tel. & Tel.	190⅛	149½	187	140	149¾	111	130½	9.00
Amer. Tob. B	104	88½	99⅞	58¾	73¼	58¾	68½	5.00
Amer. Water Works & Elec.	27¾	19⅛	29½	8	13½	6	8¼	....
Amer. Woolen Pfd.	70¾	52¾	79	25¼	35¾	23⅝	30	....
Anaconda Copper Mining	55⅜	28	69½	24½	36¾	21	24	....
Armour Co. of Ill.	7⅜	4⅝	13¾	4⅝	6⅞	3⅞	4¼	....
Atlantic Refining	35⅛	26⅝	37	18	24	17¾	21	1.00
Aviation Corp. Del.	7¾	4⅝	9¼	2¼	4⅝	2½	3⅝	....
B								
Baldwin Loco. Works	....	....	23¾	5	10¾	5	6¾	....
Barber Asphalt	38½	21	43⅜	10⅛	19	12⅛	15½	....
Barnsdall Oil	28¼	14⅛	35¼	10	16⅜	10⅛	12½	1.00
Beech-Nut Packing	112	85	114¾	90¾	103⅞	94½	101	*4.00
Bendix Aviation	32⅜	21⅝	30½	8¼	14⅞	8⅝	10¾	....
Best & Co.	72	48	62¾	29	40½	26⅞	32	†1.52½

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

SPECIAL FEATURE

From many of our subscribers have come requests for speakers to address various business groups or organizations on

ECONOMICS

BUSINESS

FINANCE

Consequently to meet this need, we have inaugurated a service which is available to our readers.

Further information on this feature will be furnished by request to—

SPEAKERS BUREAU

THE MAGAZINE OF WALL STREET

90 Broad Street New York, N. Y.

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. Address Keep Posted Department, The Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"TRADING METHODS"

This handbook issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785)

INVESTMENT PROFIT INSURANCE

The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861)

MARGIN REQUIREMENTS, COMMISSION CHARGES

J. A. Acosta & Co., have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent investors and traders. (939)

Allied Chemical & Dye Corporation

61 Broadway, New York

May 31, 1938

Allied Chemical & Dye Corporation has declared quarterly dividend No. 69 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable June 20, 1938, to common stockholders of record at the close of business June 10, 1938

W. C. KING, *Secretary.*

Dividend and Interest

COMMERCIAL INVESTMENT TRUST CORPORATION

Convertible Preference Stock, $4.25 Series of 1935, Dividend

A regular quarterly dividend of $1.06¼ on the Convertible Preference Stock, $4.25 Series of 1935, of COMMERCIAL INVESTMENT TRUST CORPORATION has been declared payable July 1, 1938, to stockholders of record at the close of business on June 10 1938. The transfer books will not close. Checks will be mailed.

Common Stock—Regular Dividend

A regular quarterly dividend of $1.00 per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable July 1, 1938, to stockholders of record at the close of business June 10, 1938. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer.*

May 26, 1938.

THE TEXAS CORPORATION

TEXACO

143RD Consecutive Dividend paid by The Texas Corporation and its predecessor, The Texas Company

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Corporation has been declared this day, payable on July 1, 1938, to stockholders of record as shown by the books of the corporation at the close of business on June 10, 1938. The stock transfer books will remain open.

C. E. WOODBRIDGE

May 27, 1938 *Treasurer*

DIVIDEND

ARMOUR AND COMPANY

OF DELAWARE

On May 26 a quarterly dividend of one and three-fourths per cent (1-¾ %) per share on the Preferred Capital Stock of the above corporation was declared by the Board of Directors, payable July 1, 1938, to stockholders of record at the close of business June 10, 1938.

E. L. LALUMIER, *Secretary*

The citizens of Sparta were known for their fortitude. But, today, fortitude alone won't keep you out of the "red." Insurance may.

SINCE 1850

The Connecticut

FIRE INSURANCE CO.

OF HARTFORD, CONNECTICUT

Cash Capital, . . . $2,000,000.00

Surplus to Policyholders, $15,190,811.89

New York Stock Exchange

Industrials and Miscellaneous (Continued)

	1936		1937		1938		Last Sale	Div'd $ Per
B	High	Low	High	Low	High	Low	6/8/38	Share
Bethlehem Steel	77¾	45¾	105½	41	65⅞	39¾	44⅝	....
Black & Decker	34½	28¾	38	13¼	17⅞	9¾	12	....
Boeing Airplane	37⅜	16⅞	49¾	16	35½	20⅛	23⅜	....
Borden Co	32⅜	25⅝	28	16	19⅝	15	15½	† .70
Borg Warner	....	....	50⅝	22¾	28½	16½	19	....
Bridgeport Brass	18⅞	12⅛	23¼	7	10⅞	5⅜	6⅞	....
Briggs Mfg.	64⅞	43¼	59⅞	18	26¼	12¾	18⅛	† .25
Brooklyn-Manhattan Transit	58¼	40¼	53	7	13⅜	5⅜	8¾	....
Bucyrus Erie	21¾	8⅞	25¼	6½	9¾	5⅞	7½	....
Budd Mfg.	15⅞	9⅛	14⅜	2¼	6⅜	3¼	4	....
Byers & Co. (A. M.)	29⅛	16½	33¾	6	11⅜	6	8¼	....
C								
Calumet & Hecla	16½	6	20⅛	4	10¼	5¼	6	....
Canada Dry Ginger Ale	30¾	10⅜	38¼	9½	19¾	12⅛	16	....
Case, J. L.	186	92½	196¾	80	97½	62½	76	....
Caterpillar Tractor	91	54¾	100	40	55½	29⅝	40½	†1.00
Celanese Corp	32¼	21¾	41¼	13	18⅞	9	11¼	....
Cerro de Pasco Copper	74	47¾	86⅜	34¾	46½	26¼	33½	†2.00
Chrysler Corp	138¾	85½	135¼	46⅛	63⅛	35⅜	42⅛	† .50
Climax Molybdenum	....	....	41	24½	45⅜	32½	39⅜	† .30
Coca-Cola Co	134	84	170½	93¾	136	105½	125	†1.00
Columbian Carbon	136½	94	125¾	65	76	53¾	70	4.00
Colum. Gas & Elec.	23⅜	14	20⅞	4⅝	9⅝	5⅛	6	....
Commercial Credit	84⅞	44	69¼	30⅜	38¾	23	31¾	4.00
Comm. Inv. Trust	91¾	55	80¼	34	44¾	31½	37⅜	4.00
Commercial Solvents	24⅝	14¼	21¼	5	10	5⅞	7⅛	....
Commonwealth & Southern	5½	2¼	4⅛	1	2	1	1⅜	....
Consolidated Edison Co.	48⅜	27¼	49⅞	21⅛	26⅞	17	24	†1.00
Consol. Oil	17¼	11½	17⅞	7	10½	7	8¼	.80
Container Corp	26¼	15¾	37⅜	10¾	16⅜	9¾	11	....
Continental Baking, A	35⅜	10⅜	37¾	7½	16½	8⅝	14¼	....
Continental Can	87¼	63¾	69⅛	37½	45¾	36½	38⅝	†1.00
Continental Oil	44⅞	28⅛	49	24	34⅜	21¼	26⅜	† .50
Corn Products Refining	82½	63⅝	71¼	50½	65½	53	63⅜	3.00
Crane Co.	50½	24	56½	22½	30	19	25	....
Crown Cork & Seal	91½	43⅝	100⅞	28¼	39⅞	22¼	24⅝	....
Curtiss-Wright	9¼	4	8⅜	2	5¼	3¼	4⅜	....
Curtiss-Wright, A	21⅞	10½	23¾	8⅛	21⅛	12⅝	19½	....
Cutler-Hammer	....	....	27	18¼	24¼	13¼	17	....
D								
Deere & Co.	....	....	27	19½	25¼	13¾	16	....
Distillers Corp. Seagrams	34⅝	18¼	29	10	16	11	13¼	†1.00
Dome Mines	61½	41½	57¼	35	60⅜	46¾	58½	†3.00
Douglas Aircraft	82¼	50⅝	77¼	26½	49⅛	31	45⅛	....
du Pont de Nemours	84¾	133	180⅛	98	123⅜	90½	97½	†1.00
E								
Eastman Kodak	185	156	198	144	167	121½	155	6.00
Electric Auto Lite	47½	30¾	45½	14⅞	21½	13¼	15¼	† .25
Elec. Power & Light	25⅞	6⅜	26⅝	6⅛	13⅝	6⅛	9⅝	....
Endicott Johnson Corp	69	53½	60	33	40⅜	33	38½	3.00
F								
Fairbanks, Morse	71¾	34¾	71⅞	23½	33½	19½	21½	....
Firestone Tire & Rubber	36¼	24⅞	41⅜	16½	25⅛	16¼	16⅝	† .75
First National Stores	58⅝	40	52¼	26½	34⅞	24½	27¾	†1.87½
Foster Wheeler	45⅜	24⅛	54½	11½	20½	11	14⅜	....
Freeport Sulphur	35⅝	23½	32¼	18	28	19⅞	25	2.00
G								
General Amer. Transpt	76	42¼	86½	31½	45½	29	37½	†1.12½
General Baking	20	10¾	19½	5	9	6½	7¾	† .10
General Electric	55	34½	64⅞	34	45½	27¼	33⅞	† .50
General Foods	44	33⅜	44¼	28⅛	33⅝	22⅞	28⅝	2.00
General Mills	70½	58	65⅞	48	60	50¾	58⅛	3.00
General Motors	77	53⅞	70½	28⅝	38¼	25½	28¾	† .50
General Railway Signal	57	32½	65⅛	17	26½	12¾	14¼	....
Gen. Realty & Utility	4⅞	2	5¾	1	2	1	1¼	....
General Refractories	71	33¼	70¼	18	28	15⅛	19¾	....
Glidden	55¼	39½	51½	19⅛	27¼	13	16¾	....
Goodrich Co. (B. F.)	35½	13⅝	50½	12¾	19¼	10	12	....
Goodyear Tire & Rubber	31⅞	21⅝	47⅜	16⅛	24	15⅛	18	....
H								
Hecker Products	21⅜	12⅝	15⅞	5⅝	7⅞	5½	6⅝	.60
Hercules Powder	....	....	64	50	58	42¾	43	† .65
Houston Oil	13⅞	6⅜	17⅝	4¾	8⅞	5	6¼	....
Hudson Motor Car	22⅝	13½	23¼	4	10	5	5⅝	....
I								
Industrial Rayon	41⅜	25⅝	47½	15	?2	14⅜	15	....
Inspiration Copper	24¼	6⅛	33⅛	6¼	15⅜	7⅛	9¼	....
Interborough Rapid Transit	18⅞	10⅞	13¾	1½	6¾	2⅞	4½	....
Inter. Business Machines	194	160	189	127½	154¾	130	145	*6.00
Inter. Harvester	105½	56⅝	120	53½	70	48	52⅝	†1.75
Inter. Nickel	66⅜	43¼	73⅜	37	52¾	36⅞	42¾	†1.00
Inter. Tel. & Tel.	19¼	11⅛	15⅞	4	9¼	5½	8½	....
J								
Johns-Manville	152	88	155	65½	86	58	67¼	....
K								
Kennecott Copper	63⅜	28¼	69⅜	28¼	43¼	26⅜	28¾	† .50
L								
Lambert	26¾	15⅞	24	10⅛	12⅞	8½	10¾	†1.12½
Lehman Corp	....	....	43½	22¾	28⅜	19⅜	24⅞	† .70
Libbey-Owens-Ford	80¼	47¼	79	33⅝	42	23¼	26¾	† .50
Liggett & Myers Tob., B	116½	97¾	114	83½	102½	81½	95	*4.00
Loew's, Inc.	67⅛	43	87⅞	43⅝	52⅞	33	41½	†1.00
Lone Star Cement	61⅞	35½	75¼	31½	43½	26	41⅝	3.00
Lorillard	26½	21⅛	28⅝	15⅜	18	13¾	16	1.20
M								
Mack Truck	49¼	27⅜	62¼	17⅜	24¾	16	18½	....
Macy (R. H.)	65¼	40⅛	58¼	25	32⅜	24⅞	29	2.00
Marshall Field	25⅛	11⅛	30⅞	7¼	9⅞	5½	7½	....
Martin (Glenn L.) Co.	....	....	29¼	10	24¾	14⅛	22¼	....
Masonite, Corp	64½	44	74	20	37¼	25	28	1.00
Mathieson Alkali	42⅜	27½	41¾	22	27½	19¾	22½	1.50
McIntyre Porcupine	49⅜	38⅛	42½	30⅛	45⅛	35½	42	2.00
McKeesport Tin Plate	....	....	42½	18½	26⅛	13⅛	14	....

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 6/8/38	Div'd $ Per Share
M								
McKesson & Robbins	14¾	8⅝	16¼	5⅜	8¼	5⅜	6	....
Mesta Machine	65	40⅝	72¼	33¾	43½	26¾	28⅞	†2.50
Minn. Honeywell	112	65	120	53	67	46½	61½	†1.25
Minn. Moline Power	12⅜	6½	16⅛	4⅜	7¾	4	4⅞	....
Monsanto Chemical	103	79	107½	71	91½	67	76	2.00
Mont. Ward & Co.	89	35¾	69	30	37½	25	31½	†1.25
Murray Corp	22¾	14	20¾	3	7⅝	4	4⅞	....
N								
Nash Kelvinator	....	....	24⅝	5	12½	6¾	7	....
National Biscuit	38¾	28¾	33⅜	17	23¼	15½	23¼	† .80
National Cash Register	32⅝	21½	38⅞	13	18½	12½	16⅝	† .75
National Dairy Prod	28¼	21	26⅛	12	15¾	11⅞	13¼	1.20
National Distillers	33⅜	25⅝	35	17	23⅜	17¼	19⅛	2.00
National Lead	36½	26⅜	44	18	29¾	17⅛	19¾	.50
National Power & Light	14⅞	9⅝	14¾	5	8⅜	5	6⅜	.60
National Steel	78	57¼	99¼	55	62¾	44¾	49¾	† .25
N. Y. Air Brake	83	32½	98½	29	39	20	20½	....
Newport Industries	40	9	41¾	10⅛	19¼	9⅞	12¼	....
North American	35½	23⅛	34⅞	14⅛	22⅜	13¾	19¼	† .60
North Amer. Aviation	14¼	6⅝	17⅜	3	10½	5⅞	9	....
O								
Otis Steel	20¾	12½	24⅜	6⅛	12	6⅜	7¼	....
Owens-Ill. Glass	....	....	103¾	51¼	66½	40	48½	† .50
P								
Pacific Gas & Electric	41	30¾	38	22	28½	22¾	26	2.00
Packard Motor Car	13⅜	6⅞	12⅜	4	5½	3¼	3½	....
Paramount Pictures	25	7⅛	28¾	8½	12⅞	5¾	7	....
Penney (J. C.)	112½	69	103¾	57½	73½	55	59¼	†1.75
Phelps Dodge	56¾	25⅝	59⅞	18½	31⅜	17⅝	19⅝	† .25
Phillips Petroleum	52⅜	38⅛	64	30⅛	42½	27¼	32½	2.00
Procter & Gamble	56	40¼	65½	43¼	50⅝	39½	47	2.00
Public Service of N. J.	50½	39	52¾	30⅜	35½	25	27½	†1.15
Pullman	69⅞	36⅞	72⅛	25½	36⅞	21⅝	23⅛	† .75
Pure Oil	24⅞	16	24⅜	8¾	13½	8¼	9¼	....
R								
Radio Corp. of America	14¼	9¾	12¾	4¾	7¼	4¾	5⅜	....
Radio-Keith-Orpheum	10⅞	5	10⅛	2¼	5⅜	1⅞	1⅞	....
Remington Rand	25	17½	29⅛	8⅛	15⅞	9⅝	10⅞	* .70
Republic Steel	29⅞	16⅞	47¼	12¼	20¾	11¼	12½	....
Reynolds (R. J.) Tob. Cl. B	60½	50	58	40¼	46½	33¾	36¾	†1.80
S								
Safeway Stores	49⅝	27	46	18	23⅝	12	13½	† .25
Schenley Distillers	55⅞	37¾	51¾	22	27½	14¾	15¼	† .50
Sears, Roebuck	101½	59⅝	98⅝	49¾	65⅜	47	55⅜	*3.00
Shattuck (F. G.)	19¾	11⅛	17⅝	6½	9⅛	6¾	7⅞	† .20
Shell Union Oil	28¼	14¾	34¾	14⅞	18¼	10	12	....
Socony-Vacuum Corp	17½	12½	23¼	13	16⅜	10¾	12¼	.50
Sperry Corp	24⅛	15⅞	23¾	10	22⅛	15⅝	20½	....
Spiegel, Inc.	....	....	28¾	8⅛	11¾	6¼	7	....
Standard Brands	18⅛	14⅜	16¼	7½	9¼	6⅛	7⅛	† .50
Standard Gas & Electric	9⅞	5⅛	14⅜	2½	5½	2	3½	....
Standard Oil of Calif	47⅝	35	50	27⅛	33⅞	25⅛	27	*1.00
Standard Oil of Ind	48½	32¾	50	26½	35½	24¾	29⅛	1.00
Standard Oil of N. J.	70⅜	51⅛	76	42	54⅛	39¾	46¼	*1.00
Stewart-Warner	24½	16½	21	5½	11⅜	6	6½	....
Stone & Webster	30½	14⅝	33⅝	6½	11¾	5½	7¾	....
Studebaker	15⅞	9⅛	20	3	7⅛	3½	4	....
Sun Oil	91	70	77½	44½	57⅞	45	49	*1.00
T								
Texas Corp	55¼	28⅞	65⅛	34¾	44⅞	32⅝	38¼	2.00
Texas Gulf Sulphur	44¾	33	44	23¾	34	26	30⅞	†1.00
Texas Pacific Coal & Oil	15¼	7½	16⅝	5⅜	10⅛	7	8½	.40
Tide Water Assoc. Oil	21¾	14¾	21⅝	13⅛	15½	10⅛	12½	1.00
Timken Detroit Axle	27⅞	12⅛	28⅞	8¾	13⅞	8	8¼	....
Timken Roller Bearing	74½	56	79	36	48½	31¼	35¼	† .50
Twentieth Century-Fox	38⅝	22½	40⅞	18½	24	16⅛	21	†1.00
U								
Underwood-Elliott-Fisher	102⅜	74⅝	100⅛	46¼	59⅝	41	45½	†1.50
Union Carbide & Carbon	105¼	71⅝	111	61¼	80	57	65⅝	†2.00
Union Oil of Cal	28½	20¾	28¼	17½	21⅝	17⅛	18⅛	1.20
United Aircraft	32⅜	20⅝	35⅛	10¾	28¼	19½	26¼	† .50
United Carbon	96¾	68	91	36¾	49⅝	39	43	†1.75
United Corp	9¼	5⅜	8½	2	3¾	2	2¼	....
United Fruit	87	66½	86¾	52	65½	50	58½	3.00
United Gas Imp	19½	14⅛	17	9	11⅜	8¾	9¾	1.00
U. S. Gypsum	125¼	80½	137	53	78	55	68¾	2.00
U. S. Industrial Alcohol	59	31¼	43⅝	16⅛	23¾	13½	16½	....
U. S. Pipe & Fdy	63⅞	21½	72¼	24	34¼	21½	32⅛	2.00
U. S. Rubber	49⅜	16⅜	72⅜	20	35½	21	26⅞	....
U. S. Smelting, Ref. & Mining	103¾	72¼	105	52½	71	44¾	51	†2.00
U. S. Steel	79⅞	46⅜	126½	48½	62⅛	38	42	....
U. S. Steel Pfd	154¾	115½	150	100¼	114½	91¾	95	7.00
Utilities Pw. & Lt., A	7	3⅛	4⅞	¾	1¼	½	⅝	....
V								
Vanadium	30⅝	16¼	39⅜	9¼	20⅜	11½	13¾	....
W								
Walworth Co	12⅜	5½	18¾	3¼	8½	4½	5⅞	....
Warner Brothers Pictures	18⅜	9¼	18	4¾	7¾	3¾	4⅜	....
Western Union Tel	96⅛	72½	83½	22⅛	28¼	16½	21	....
Westinghouse Air Brake	50⅞	34¾	57¾	17¾	27½	15¾	18¼	1.00
Westinghouse Elec. & Mfg.	153½	94½	167⅝	87⅛	109⅞	61¾	75¾	†1.50
Wilson & Co.	11	6⅝	12¼	4⅝	5¾	3	3⅝	....
Woolworth	71	44¾	65⅜	34	44¾	36	43⅜	2.40
Worthington Pump & Mach	36¾	23⅛	47	12	20	11¼	15	....
Y								
Yellow Tr. & Coach	23¼	8¾	37⅜	7½	15⅛	8⅜	10¾	....
Youngstown Sh. & Tube	87¾	41¾	101⅞	34⅛	43¾	24	28⅜	....
Z								
Zenith Radio	42⅜	11⅛	43¾	11⅞	17½	9	9¾	....

*—Not including extras. ‡—Paid last year. †—Paid this year.

STOCKS—BONDS
COMMODITIES

Folder "M" explaining margin requirements, commission charges and trading units furnished on request.

Cash or Margin Accounts in Full or Odd Lots

Inquiries Invited

J. A. ACOSTA & CO.

Members New York Stock Exchange
N. Y. Curb Exchange (Assoc.)
New York Cotton Exchange
New York Produce Exchange
N. Y. Coffee & Sugar Exchange
Chicago Board of Trade
Commodity Exchange, Inc.
New York Cocoa Exchange

60 Beaver St. New York

BOwling Green 9-2380

POINTS ON TRADING

and other valuable information for investors and traders in our helpful booklet. Copy free on request. ***Ask for Booklet MG6***

Accounts carried on conservative margin.

CHISHOLM & CHAPMAN

Established 1907

Members New York Stock Exchange

52 Broadway New York

4% INVESTMENTS

Invest any amount in Lump-Sum or Save any amount at any time. EVERY ACCOUNT INSURED up to $5,000 by Agency of U. S. Government. Leader Federal is paying 4% per annum dividends, payable January 1 and July 1. Memphis a great diversified city. Write for financial statement.

LEADER FEDERAL
SAVINGS & LOAN ASSOCIATION
of Memphis
MEMPHIS, TENN.

INSURED INVESTMENTS

LOEW'S INCORPORATED
"THEATRES EVERYWHERE"

June 3rd, 1938.

THE Board of Directors on June 1st, 1938, declared a dividend of 50c per share on the Common Stock of this Company, payable June 30th, 1938 to stockholders of record at the close of business on June 16th, 1938. Checks will be mailed.

DAVID BERNSTEIN
Vice-President & Treasurer

Wands were used by the ancient magi to make property reappear. Today, modern business men use insurance to produce the same results.

SINCE 1854

THE PHOENIX
INSURANCE COMPANY
OF HARTFORD, CONNECTICUT

Cash Capital, $6,000,000.00
Surplus to Policyholders, $44,807,872.44

Bumper Crops Will Aid Business

(*Continued from page 273*)

potential yield of 2,360,000,000 bushels. Acreage allotments in 12 corn growing states have been set at 40,491,279 acres, calculated to yield a crop 110% of domestic and export requirements. Apparently in setting a fairly high figure for acreage Department of Agriculture officials took into consideration that livestock on farms is considerably less than normal and may be appreciably increased this year. If the current corn crop and carryover exceed 2,800,000,000 bushels, farmers will probably be asked to vote on the imposition of marketing quotas.

Official estimates of the cotton crop for the current season, ending July 31, place the total at 18,946,000 bales. This would be the largest crop on record—nearly a million bales larger than the previous record-breaking yield in 1926. Total supplies, including last year's carryover, were in excess of 24,500,000 bales. With current consumption estimated at 12,000,000 bales, some 12,500,000 bales will be carried over into the 1938-39 season, or more than sufficient to meet total consumption needs for a full year.

Cotton farmers have voted in favor of imposing quotas and planted acreage in the 1938-39 season will be cut some 7,000,000 acres to 27,000,000 acres. Under normal conditions this acreage might be expected to yield about 11,000,000 bales of cotton. Intensive planting, however, may increase the actual yield. If on August 1 the price is lower than 52% of the parity price of about 16 cents a pound, loans to cotton growers would become mandatory. At the present time cotton is selling around 7½ cents a pound and unless prices rise in the next two months loans will be a virtual certainty. The minimum loan would be 8.35 cents a pound. The effect would be to peg domestic prices and further penalize American growers in world markets. The Government already holds 7,000,000 bales impounded against loans. This is enough cotton to fully care for domestic requirements for a whole year and, in the existing circumstances of reduced mill takings, the Government is likely to be in the position of having to hold unsalable cotton for some time.

Against the unfavorable implications of large crop surpluses is the psychological fact that the farmer with a bountiful harvest is a much more likely prospect for new machinery, clothing, etc., than were his crops burned by heat and his fields blown into the next state by dust storms. Further than this, it is certain that the Government is going to bend every effort to keep the farmer in a happy frame of mind in what promises to be an important election year. In addition to crop loans and parity payments, soil conservation payments will add $500,000,000 to agricultural income this year. The Federal Surplus Commodities Corp. is seeking an additional $100,000,000 in order to expand its purchases from $3,000,000 to $12,000,000 monthly. An additional $95,000,000 will be turned over to the Commodity Credit Corp. to offset "capital impairment"; $175,000,000 will be appropriated to the Farm Security Administration; and the 3½% interest rate on farm loans has been extended for two years.

The total of Federal payments and subsidies this year may exceed $1,000,000,000. Even so, the latest estimates of the Department of Agriculture place total farm income this year at about $1,000,000,000 under the 1937 level of $8,500,000,000. Aggregate farm income in the first four months of this year was 14% under the same period a year ago, but nearly 9% above the same period of 1936.

Although admittedly a drop of $1,000,000,000 in farm income this year is not a particularly sanguine prospect, the farmer is still likely to make an economic contribution of unquestionable importance. The huge crops must be moved and the winter wheat crop particularly promises to render timely aid to a number of western and southwestern railroads. The peak harvesting months are June, July, August and September and freight traffic both inbound and outbound in these months should be stimulated appreciably. Rural retail sales thus far this year have been holding up much better than in the industrial areas and while the dollar volume has been running somewhat behind last year, tonnage volumes are reported to have been larger than in 1929. Farm equipment sales also have fallen off but this is partially accounted for by the seasonal characteristic of sales trend in this industry.

All in all, and despite the presence of numerous tempering factors, the agricultural prospect appears at least by comparison to be one of the brighter features in the current outlook—not wholly and completely favorable but certainly better than the immediate industrial outlook.

Where First Recovery Profits Lie

(*Continued from page 283*)

stocks held at 21% above their starting point. In the next advance, that from C to D on the chart, the common average reached a point 248% above its start at A, the preferred average registered a gain of 101% (after adjusting for dividends paid in the interim), and the bond index one of 23%. Whether the move from A to B or that from C to D be considered the official beginning of the recovery, the advantage lies clearly with the common stock average.

An exception to the relatively more favorable general performance of the common stocks occurs between the two peaks D and F. A switch from the preferred stocks to the common at D would result profitably if the position were held until the following top at F. This indicates, however, that the order of switching from preferreds to commons as recovery progresses in accordance with the "slop-over theory" should actually have been reversed. Common stocks would have made the better holdings in the early stages of the advance, and preferreds only if bought near the top of the sharp rally which culminated in July, 1933.

Study from this angle of comparative action brings out the point that we are dealing in fact with two recovery markets, rather than one. The first began at A or C and carried through to F, establishing the superiority of the common average in this phase; and the second was a practically continuous advance from G to H, with the common average

When doing business with our advertisers kindly mention THE MAGAZINE OF WALL STREET

again clearly outgaining its competitor. Only at the terminations of each of the two major phases—the points G and I—was the relationship in favor of the preferred average.

At point J—May, 1938—the common average still shows a gain of 112% from A, the preferred average a gain of 139%, and the bond index a gain of 24%. It could be argued that the long-term recovery of business and the markets has not been completed, and that point I in March, 1938, is likely to prove similar to point G in March, 1935. Should this prove to be the case, the conditions which induce a resumption of the major trend will be sufficiently similar to those prevailing three years ago to bring about the same relative action between bonds and the two broad classes of stocks. Regardless of the tempting "slop-over theory," therefore, the investor whose objective is capital appreciation will be wise to concentrate on well-chosen common stocks.

Lone Star Cement Corp.

(*Continued from page 285*)

totalling $3.75 a share to its common stockholders. So far this year two quarterly payments of 75 cents have been declared. If the owners of the company could count on two more dividends of like amount, it would mean a yield of more than 7% on the stock at its present price of $41 a share. The company on its record will treat them liberally, but choice of action naturally is limited by earning power. Let us delve a little further into the prospects.

In connection with first quarter earnings, it was said that they had been bolstered by foreign operations. Hence, if the company's foreign plants are currently active (they operated at 79% of capacity last year) they cannot reasonably be expected to register further material gains. It would follow therefore that increased earnings rest primarily with conditions in this country. Actual statistics are not very hopeful. For April, F. W. Dodge reports engineering and building contracts amounted to $222,000,000 in thirty-seven states east of the Rockies. This is a decline of 18% from the April, 1937, figure.

On the other hand, as this same company points out, the April contracts do not include projects under the new Federal public works program. Moreover, the Federal Housing Administration reports an almost unbroken increase in mortgage applications. Thus it would appear that there were a very substantial backlog of construction which has not yet reached the contract stage. Eventually, of course, this backlog is going to react to the benefit of Lone Star and the other cement manufacturers. The situation would be immeasurably aided were there only some improvement in business generally, a condition probably largely dependent upon the restoration of confidence which would be the result of an easing of the strained relations between government and private enterprise. Specifically, it would be of benefit

"SUPPOSE I get sick? After all, I'm only human. And if I do get a touch of colic . . . or have a nervous breakdown . . . do you know what'll bring it on? Worry! Yes, sir, worrying about how long it would take us to get the doctor if anything happens.

"Or suppose a pipe bursts in the bathroom? Or a burglar comes along? When something like that happens you don't write a letter. No, sir, you hop to a telephone!

"And what about my mother? She's got marketing to do. Sometimes she needs to get in touch with Dad during the day. And there are errands to be run. Well, she can't do all those things without a telephone . . . and at the same time give me the attention I expect.

"All Dad needs to do to have a telephone is get in touch with the Business Office. I'd do it myself if I could get out. But I can't. Is it any wonder that worry keeps me awake half the day?"

BELL TELEPHONE SYSTEM

to the Lone Star Cement Corp. and the other manufacturers in the field if they knew exactly where they stood with government on prices.

Yet, while political perplexities detract nothing from the uncertainty which surrounds the future of the cement manufacturers in general and the Lone Star Cement Corp. in particular, it is the course of business that is the really important factor. And this, as has been seen is not without its hopeful side. The stock of Lone Star Cement, which incidentally has been acting marketwise better than most, will interest those who wish to speculate on an improvement in business this coming autumn and next spring.

Super Markets—A New Factor in Food Chain Merchandising

(*Continued from page 281*)

does not quite know itself to what it will finally evolve. One interesting little point, however, is to be noted: where the A. & P. has super markets, these undersell the company's regular stores in the same general area.

It would be gratifying from the standpoint of the chain store stockholder to arrive at the clearcut conclusion that the chains will steadily contract the number of outlets they operate, but that they will regain a full measure of prosperity by vastly increasing the size of the outlets retained. Unfortunately, while the tendency is clearly towards a smaller number of larger units, it must be reported that the pressure blocs are swinging into action against the super markets just as they swung into action against the chain store and, if they are as successful in their second campaign as they have been in the first, the super market is not going to afford the "out" for the chain store that it first appears to be. Camden, New Jersey, for example, has already passed ordinances imposing an annual licensing tax on super markets of $10,000. Nor is this all, should the super market have more than four concessions, each in excess of this number will pay an additional tax of $200. Atlantic City is another town in New Jersey doing its best to make things difficult for the super market. The courts, of course, will have to pass on these ordinances, but even so it shows that the independent retailer is still fighting a war which, while it may keep him in business, will do so only at an enormous cost to the consumer—the general public, the "fall guy" always.

Nevertheless, if one cannot quite see the old-line chain developing into a smaller chain of super markets whose greatest competition will be not with the independent grocer nor with the co-operative chain, but with super market chains, no one can fail to be impressed with the vigor and enthusiasm behind this new system of retailing. Make no mistake about it, the men which have given the super market its present momentum are as alive a group of merchandisers as exists in the country and regardless of taxation and the obstructive efforts of insular interests, the new system will not die easily.

Woolworth Is Better Than Average

(*Continued from page 287*)

triangle was formed. This is usual market action since highs are made with intense activity, while extended dull markets occur at bottoms. There have been two penetrations of the inverted base upside at the 44 level and there is little ahead of the stock in the line of resistance until the 50 level is reached. In the event of unforeseen developments, which would nullify the prevailing bullish implications in the technical position of the stock, losses should be cut short on a penetration of the lower limits of the current triangle.

From an earnings standpoint alone, the stock is not cheap at current levels of 43 but because of the inherent stability of the company, it has always sold on a high price times earnings ratio. Thus, the combination of fairly stable earning power in a period of business recession; an adequate yield, and a favorable technical position would seem to warrant retention of the stock at this time and new purchases are indicated for moderate appreciation and income.

Critical Point in Coppers Is Here

(*Continued from page 279*)

reduction in the price of the metal occurs. Or the market as a whole may provide much the same sort of test for the copper group; these issues are bound to be affected, held back or pulled up, by the other market leaders, and another dip in the averages to the vicinity of the spring lows could hardly be disregarded by the coppers.

On a more speculative basis, there is much to be said for buying in the group during moments of weakness, without waiting for additional testing. The trading possibilities from this point are excellent, particularly if, as seems likely, the market blows hot and cold alternately on prospects of inflation or business revival. It will take courage to buy in the face of news of price cuts and falling consumption; it will take the same independence to buy Anaconda at 22 or 23 today as was needed a year ago to sell it at 69 when the news could not have been better. Profits are created in the long run by the investor's refusal to react in the normal way to the obvious news, and the coppers present an interesting opportunity for such a refusal.

Which Industries—Which Companies for Investment

(*Continued from page 270*)

MERCHANDISING—There are various large and sound enterprises in this field—for example, Sears, Roebuck, J. C. Penney, Woolworth —but while competitive gain is possible for any aggressive merchant the business as a whole will expand only at the rate of population growth. Cyclical fluctuations are not as extreme as in durable goods industries. On the basis of both secular and cyclical factors, therefore, longer term promise of capital appreciation in shares of merchandising enterprises appears less than in some of the industries we have heretofore dealt with. On the other hand, even in the best, income re-

turn is only relatively stable and less so than in certain other lines such as tin containers, well situated tobaccos, flour millers, specialty foods, drug and proprietary products, etc. The sensational growth of the big mail order-department store enterprises in recent years has represented competitive advantage rather than growth of the merchandising business. That rate of gain will not be equaled in the future. It is not by any means to take a bearish view on merchandising to conclude that, whether one seeks capital appreciation or stable income, better opportunities will be found elsewhere.

RAILS AND UTILITIES—Here we have two regulated industries in which political problems are of paramount investment and speculative importance. We do not deny that handsome percentage appreciation has from time to time rewarded speculators fortunate enough to have timed their purchases and sales of utility and rail stocks successfully. No doubt there will be future opportunities of similar speculative character. But since there are equal, if not superior, opportunities in unregulated industrials in every price class, why take on the added handicap of unpredictable political factors?

STABLE INDUSTRIES—Foods, tobaccos, chewing gum, drugs and proprietary products, soaps, containers and some branches of the paper industry are characterized by relatively high degree of stability in volume of sales. In most of these profits also are relatively stable, and exceptions to this rule are accounted for mainly by price changes which result in inventory losses, rather than by shrinkage in physical volume. To one interested chiefly in potentiality for capital appreciation, these industries are not attractive, although among them are various good stocks offering favorable and secure income return. Examples of the latter include Beech Nut Packing, American Chicle, General Foods, Wrigley, American Can, Scott Paper, American Tobacco, Procter & Gamble and Sterling Products.

MISCELLANEOUS—There is, of course, no economic reason for lumping together—as we are doing in this concluding paragraph — such diverse industries as shoes, liquors, motion pictures, fertilizers, radio manufacture, textiles, floor coverings and household equipment. They are associated here for the convenient reason that — while some stocks in several of these groups are not devoid of merit — we believe either better or more assured opportunities for both income return and capital appreciation will be found in the other industries heretofore given favorable comment. It is worth noting that even in good times, as measured by price-earnings ratios, the composite judgment of the market puts a relatively low rating on shares of companies in shoes, liquors, motion pictures, fertilizers and the cotton and woolen branches of the textile industry. We see no point in bucking this clearly defined judgment. In each instance there are reasons for it, which need not be detailed here. The rayon branch of textiles has a bright long term prospect as to volume, but profits are far from stable and profit trends are difficult for the outsider to forecast. Such consumers' durable goods industries as radios, furniture, floor coverings and household equipment experience wide cyclical swings in volume and earnings, and for this reason offer speculative possibilities. Such promise as inheres in their economic characteristics and markets habits, however, is present in equal or greater degree in various other durable goods fields such as electrical equipments, steels, building materials and others heretofore discussed.

Pictures in this article by courtesy of the following: Autos—Gendreau, Steel—Otis Steel Co., Aircraft propeller—Curtiss-Wright, Oil wells—

THE BALTIMORE AND OHIO RAILROAD CO.

SUMMARY OF ANNUAL REPORT FOR THE YEAR 1937

The report of the Company's operations for the year 1937 is being distributed to the stockholders. It shows that total Railway Operating Revenues for the year were $169,436,436. This was an increase over the previous year of $443,755, notwithstanding the termination on December 31, 1936, of the emergency increase in freight rates and charges authorized by the Interstate Commerce Commission on March 26, 1935. Had these emergency charges been continued during 1937, freight revenues of the Company would have been about $7,000,000 more than they were for that year. Despite this loss in revenue, and the increase in costs of operation, due to higher prices of material and fuel, and increases in wages during the latter part of the year, the Net Income available for fixed charges was $31,463,336, or but $720,695 less than the total fixed interest and other charges of $32,184,031 accruing during the year.

The total taxes accrued in 1937 aggregated $11,216,077, an increase over 1936 of $720,208.

Freight revenue for 1937 was $147,212,330 or $604,588 less than for 1936, this decrease being caused largely by the almost unprecedented decline in business activity during the last half of 1937. Passenger revenue for 1937 was $11,918,602, an increase over 1936 of $735,660, or 6.58%.

CONDENSED STATEMENT OF OPERATING RESULTS

		Comparison with 1936	
Railway Operating Revenues:	1937	Increase	Decrease
From Freight	$147,212,330	......	$604,588
From Passenger	11,918,602	$735,660	......
From All Other Sources	10,305,504	312,683	......
Total	$169,436,436	$443,755	......
Railway Operating Expenses	128,859,516	5,259,183	......
Net Railway Operating Revenue	$40,576,920	......	$4,815,428
Deduct: Other Operating Charges:			
Railway Tax Accruals	10,918,554	$696,233	......
Equipment and Joint Facility Rents	4,749,741	......	234,981
Net Railway Operating Income	$24,908,625	......	$5,276,680
Add: Other Income from Investments and Other Sources	6,554,711	......	691,983
Income Available for Fixed Charges	$31,463,336	......	$5,968,663
Deduct: Fixed Interest & Other Charges	32,184,031	......	708,993
Income for Year (Deficit)	$720,695	(Dec.)	$5,259,670

BALANCE SHEET

The balance sheet at December 31, 1937, indicated total property (less accrued depreciation) and other investments, of $1,087,040,474, and current assets of $29,987,154 (which include $12,297,325 for materials and supplies, an increase of $3,390,386 over 1936), as against current liabilities of $29,034,104. The total of interest-bearing debt and leased lines obligations outstanding was $680,862,793 (an increase of $2,198,151 compared with preceding year). The outstanding capital stock was $315,158,485, and corporate surplus $75,839,767.

The Company renews and records its high appreciation of the loyal support and efficient cooperation of all the officers and employes, and solicits the interest of employes and security holders in securing business for the Company.

DANIEL WILLARD,
President.

Sinclair, Locomotive—Lima Locomotive Works, Farm Equipment—International Harvester, Electrical Equipment—Westinghouse E. & M., Rayon—du Pont.

Answers to Inquiries

(*Continued from page 295*)

quality products that command a wide demand. The company boasts that the best equipment in use throughout the world by leading airplane transport lines is powered by Wright cyclone and Whirlwind engines. Curtiss-Wright motors have also played an important part in the development of the military and naval air services in the United States. As to foreign business and the company's ability to compete with other companies for this field, we turn to last year's figures and find that export sales recorded a sizable gain and business was booked in four new countries, bringing the total up to 38 nations throughout the world where the company's products are in service. All of the major European airlines are users of Curtiss-Wright products. All in all, the company's prospects are appreciably better than the average. The risk of acquiring the shares, therefore, either for the short term or longer pull, as a stake in aviation, appears quite moderate.

Lehn & Fink Products Co.

For nearly two years now I have held on to a small block of Lehn & Fink, for which I paid 19¼. That is far above the high so far this year. Should I hold it further, or get into something with better immediate prospects?—W. H., Washington, D. C.

Even in face of strong competition Lehn & Fink, a leading manufacturer of drug and cosmetic specialties, over a long period of years has been able to maintain satisfactory profits on their common stock. Never has the company reported a deficit and they have at all times maintained dividends on their capital stock. For the year ended December 31, 1937, profits of $1.33 per share were shown. It is anticipated that full 1938 reports will be slightly lower than this, as indicated by the first quarter report, when 26 cents per share was shown against earnings of 32 cents per share during the initial quarter of 1937. Currently, sales of the company are presumably lower. This may be attributed to the sharp decreases in consumer purchasing power. The fact that the company is so simply capitalized, however, seems to indicate that disbursements in the way of dividends albeit at a lower rate, will be maintained. As of March 31, 1938, there were only 400,000 shares of common $5 par stock outstanding. No funded debt is carried by the company. At the close of the past year, total current assets compared to total current liabilities at the ratio of approximately four to one, leaving an equity per share of $10.91. Under the prevailing circumstances the shares of Lehn & Fink must be given a speculative rating although retention is counselled as a temporary expedient.

Hercules Powder Co.

Should I have been disturbed by first quarter results of Hercules Powder which, on net sales almost identical in volume with those in the first quarter of 1936, show a considerable decline in earnings? The dividend rate on the new common is relatively below the rate paid before the break up. Do you recommend continuing with this stock which I bought two years ago at about 125?—R. L., Dallas, Texas.

The reason Hercules Powder could not show a profit in the first quarter of 1938 as large as that of the like 1936 quarter, although sales varied little, was due to the higher costs of operation and the inability to instigate economies quickly enough. Main drop in revenues may be attributed to narrower profit margins because of the drop in dollar volume and lower prices for cotton linters and rosin during the first quarter. While it is expected that prices for the two above commodities will remain approximately the same the continued decline in earnings as compared to last year will undoubtedly continue. However, we do not believe that there will be much change in the volume of business that has been characteristic of 1938. Probably the most optimistic feature in regard to this situation is the ability of sales and profits to reverse themselves given any marked recovery in general business. It has been characteristic of the company over a period of years and we find that profits are governed directly by the status of business. Through active research, the company has steadily developed new products and markets and this important division may be expected to contribute to further growth. Capitalization is conservative and financial condition strong. Quite obviously, however, the demand for industrial explosives tends to fluctuate in accordance with the rate of activity in such fields as construction and mining, particularly, while gun powder sales are also influenced by the general state of prosperity. The continued depressed state of those industries, therefore, has naturally had its adverse effect upon the operations of Hercules. While some reduction in current dividends is anticipated, we believe that the present price of the shares has quite definitely taken the restrictive factors into consideration. Therefore, as a price speculation we are inclined to suggest retention of your holdings.

As I See It!

(*Continued from page 263*)

will prevent the disorganization from which we are suffering.

All progress in the world has been made slowly and the belief which the New Deal has, that our entire economy and social life can be changed overnight, is the result only of immature and inexperienced thinking. The militancy of the "have nots" and inertia of the property classes have played into their hands, and contributes to the present defeatist psychology.

Certainly, with the future of the present and the next two generations at stake, we should have the daring and courage to meet the situation without fear. The thought that our efforts will give our children and those who come after a chance to live, should give us the inspiration to act decisively and aggressively.

★ ★ ★ IN THE NEXT ISSUE ★ ★ ★

Housecleaning in Low Priced Stocks

Which Issues to Buy, Sell, Hold

has
pany
find
y by
ac-
has
and
divi-
bute
on is
ition
ever,
sives
ance
such
ning,
sales
neral
nued
ries,
ad-
s of
n in
ated,
e of
aken
nsid-
ecu-
gest

tion

been
hich
ntire
be
only
nced
the
rop-
their
pres-

the
nera-
the
sit-
ught
chil-
er a
the
ag-